



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2017**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

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PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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for the year ended 30 June 2017

GENERAL INFORMATION

Members of the Council:

MT Kibi	Mayor
NL Hermans	Speaker
LJ Grobbelaar	Chairperson MPAC
UR Itumeleng	Mayorial Committee
GL Nkumbi	Mayorial Committee
TA Sintu	Mayorial Committee
NJ Batties	Member
ME Bitterbos	Member
SL Billie	Member
JH George	Member
J Hoffman	Member
JEJ Hoorne	Member
SE Humphries	Member
H Marais	Member
AM Metebus	Member
SS Swartling	Member
LC van Niekerk	Member
JH Vorster	Member
VT Yawa	Member

Municipal Manager: RE Pieterse

Chief Financial Officer: BF James

Grading of Local Authority: Grade 3

Auditors: Auditor-General

Bankers: ABSA Bank Limited

Registered Office: Culvert Road
De Aar
7000

Physical Address: Culvert Road
De Aar
7000

Postal Address: Private Bag X1012
De Aar
7000

Telephone Number: (053) 632 0891

Fax Number: (053) 631 2529

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 13 to 74, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: RE Pieterse

31 August 2017

PIXLEY-KA-SEME DISTRICT MU

ANNUAL FINANCIAL STATEMENT

for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Pixley-ka-Seme District Municipality.

These Annual Financial Statements have been prepared in accordance with the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Companies Act of 2003. The standards and pronouncements that form the GRAP Reporting Framework in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2017 indicates a decrease in Net Assets and an increase in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus in the operating account. The decrease in Non-current Liabilities is primarily as a result of the decrease in Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Trade Payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure are expressed as a percentage of the total expenditure of the Municipality.

2.1 Financial Statement Ratios:

INDICATOR
Surplus / (Deficit) before Appropriations
Surplus / (Deficit) at the end of the Year
Expenditure Categories as a percentage of Total Expenses:
Employee Related Costs
Remuneration of Councillors
Depreciation and Amortisation
Impairment Losses
Repairs and Maintenance
Interest Paid
Contracted Services
Grants and Subsidies Paid

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

General Expenses

Loss on Disposal of Property, Plant and Equipment

Current Ratio:

Trade Creditors Days

Debtors from Exchange Transactions Days

The ratio for Debtors Days, calculated on net Debtors, improved significantly because of R1 567 564) written off in the current year and the immaterial increase in the Provision for Doubtful Debts.

2.2 Performance Indicators:

INDICATOR

Financial Position

Debtors Management:

Outstanding Debtors to Revenue

Outstanding Service Debtors to Revenue

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June ;

REPORT OF THE CHIEF FINANCIAL OFFICER

2. KEY FINANCIAL INDICATORS (continued)

INDICATOR
Liquidity Management: Liquidity Ratio
Liability Management: Capital Cost as percentage of Own Revenue Borrowed Funding as percentage of Own Capital Expenditure Borrowing as percentage of Total Capital Assets
Safety of Capital: Gearing
Financial Viability: Debt Coverage Cost Coverage
Financial Performance Expenditure Management: Creditors to Cash and Investments

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendices "E (1), E (2) and E (3)".

The services offered by Pixley-ka-Seme District Municipality can generally be classified as follows and are discussed in more detail below.

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June :

REPORT OF THE CHIEF FINANCIAL OFFICER

The overall operating results for the year ended 30 June 2017 are as follows:

DETAILS	Actual 2017 R	Actual 2016 R
Income:		
Opening surplus / (deficit)	(10 996 004)	(11 656 109)
Operating income for the year	54 562 443	51 089 785
Appropriation for the year	-	(7 678)
	43 566 439	39 425 998
Expenditure:		
Operating expenditure for the year	53 908 099	50 422 002
Closing surplus / (deficit)	(10 341 660)	(10 996 004)
	43 566 439	39 425 998

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

3.1 General Services:

Rates and General Services are all types of services rendered by the Municipality. The main income source is the levying of Rates. Other income sources are Sundry Fees levied.

DETAILS	Actual 2017 R	Actual 2016 R
Income	49 816 857	45 194 162
Expenditure	(51 425 672)	(46 476 822)
Surplus / (Deficit)	(1 608 816)	(1 282 660)
Surplus / (Deficit) as % of total income	(3.23)%	(2.84)%

Variance from 2016 actual:

The Municipality generated significantly higher Income from Grants, due to additional grants received.

Variance from 2017 budget:

No material fluctuation occurred.

3.2 Housing Services:

Housing Services are services rendered by the Municipality to supply housing to the public and staff. The main income source is the levying of Housing Services.

DETAILS	Actual 2017 R	Actual 2016 R
Income	1 620 000	1 000 000
Expenditure	(2 007 238)	(2 508 441)
Surplus / (Deficit)	(387 238)	(1 508 441)
Surplus / (Deficit) as % of total income	(23.90)%	(150.84)%

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June :

REPORT OF THE CHIEF FINANCIAL

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Variance from 2016 actual:

The Municipality did not budget for Income to be generated by the this departmen

Variance from 2017 budget:

The Municipality only budgeted for R720 000 in respect to the actual R1 620 000

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June :

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

3.3 Shared Services:

Shared Services are services rendered by the Municipality to other municipalities generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2017 R	Actual 2016 R
Income	3 125 588	4 402 875
Expenditure	(475 190)	(943 991)
Surplus / (Deficit)	2 650 398	3 458 884
Surplus / (Deficit) as % of total income	84.80%	78.56%

Variance from 2016 actual:

No material fluctuations were identified.

Variance from 2017 budget:

In 2017, the Municipality did not budget for the Shared Service vote. During the year shared services.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R2 294 444 (2016: R1 17, 8 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R2 294 444 was financed as follows:

DETAILS	Actual 2017 R	Actual 2016 R
External Loans	2 286 700	-
Grants and Subsidies	-	-

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June :

REPORT OF THE CHIEF FINANCIAL OFFICER

Own Funds (Accumulated Surplus)	7 744	1 105 241
	2 294 444	1 105 241

Source of funding as a percentage of Total Capital Expenditure:

DETAILS
Capital Replacement Reserve
External Loans
Grants and Subsidies
Own Funds (Accumulated Surplus)

Capital Assets are funded to a great extent from External Loans as the Municipality has certain required capital expenditure from its own funds.

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS
<i>Variance per Category:</i>
Budgeted surplus before appropriations
Revenue variances
Expenditure variances:
Employee Related Costs
Remuneration of Councillors
Depreciation and Amortisation
Impairment Losses
Repairs and Maintenance
Finance Costs
Contracted Services
Grants and Subsidies Paid
General Expenses
Loss on Disposal of Property, Plant and Equipment
Actual surplus before appropriations

DETAILS
<i>Variance per Service Segment:</i>
Budgeted surplus before appropriations
Administration

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

Finance
Development and Infrastructure
Environmental Health
Housing
Internal Audit
Council Expenses
Municipal Manager
I D P
Protection Services
Shared Services

Actual surplus before appropriations

Details of the operating results per segmental classification of expenditure are included in Appendices "E (1), E (2) and E (3)".

**PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June 2017**

REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL (continued)

5.2 Capital Budget:

DETAILS	Actual 2017 R	Actual 2016 R
Finance and Administration	2 294 444	1 105 241
	2 294 444	1 105 241

Details of the results per segmental classification of capital expenditure are included in the Annual Financial Statement.

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2017 amounted to R(10 300 000). The Accumulated Surplus is as follows:

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Replacement Reserve established to enable the Municipality to finance future capital expenditure. The reserve, which is made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external capital requirements, is part of the annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2017 was R2 820 000.

Loans amounting to R2 286 700 (2016: R0) were taken up during the financial year to meet the capital requirements for the year.

**PIXLEY-KA-SEME DISTRICT MU
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for the year ended 30 June 2017**

REPORT OF THE CHIEF FINANCIAL OFFICER

Refer to Note 12 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R12 972 722 as at 30 June 2017 (2016: R11 972 722)

Ex-Gratia Benefit Liability

Post-retirement Health Care Benefits Liability

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for members of schemes providing for such benefits. This liability is

Refer to Note 13 for more detail.

PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

9. CURRENT LIABILITIES

Current Liabilities amounted R12 874 683 as at 30 June 2017 (2016: R11 149 811)

Provisions	Note 9
Payables from Exchange Transactions	Note 10
Unspent Conditional Grants and Receipts	Note 11
Current Portion of Long-term Liabilities	Note 12

Current Liabilities are those liabilities of the Municipality due and payable in the reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R11 858 570 as at 30 June 2017 (2016: R11 858 570)

Refer to Note 6 and Appendices "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R9 306 as at 30 June 2017 (2016: R14 400)

Intangible Assets are assets which cannot physically be identified and verified a Municipality in order to be able to fulfill its duties as far as service delivery is concerned.

Refer to Note 7 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R1 210 000 as at 30 June 2017 (2016: R1 210 000)

Investment Property is property held to earn rentals or for capital appreciation or goods or services or for administrative purposes; or sale in the ordinary course of business.

**PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June 2017**

REPORT OF THE CHIEF FINANCIAL OFFICER

Refer to Note 8 and Appendix "B" for more detail.

13. CURRENT ASSETS

Current Assets amounted R5 236 602 as at 30 June 2017 (2016: R2 208 821) and are classified as follows:

Receivables from Exchange Transactions	Note 2
Cash and Cash Equivalents	Note 4
Operating Lease Assets	Note 5

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The Municipality is dependent on financial aid from other government spheres to finance its operations. These grants are utilized to finance the operations of the Municipality.

Refer to Notes 11 and 15, and Appendix "F" for more detail.

**PIXLEY-KA-SEME DISTRICT MU
ANNUAL FINANCIAL STATEMENT
for the year ended 30 June 2017**

REPORT OF THE CHIEF FINANCIAL OFFICER

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 15.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors for the support extended during the financial year. A special word of thanks to the staff for their assistance in preparing these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2017

MUNICIPALITY

FINANCIAL STATEMENTS

2017

MANAGING OFFICER

for the Seme District Municipality at 30 June 2017.

Generally Recognised Accounting Practice (GRAP), issued under the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The Framework for the 2015/2016 financial period is set out in the Framework for the 2015/2016 financial period.

Net Assets, a decrease in Non-current Liabilities and a

and Surplus as a result of the surplus generated on the disposal of the decreases in Retirement Benefit Liabilities and of the decrease in Payables.

Categories are well within acceptable norms and indicate

	2017	2016
	(10 341 660)	(10 996 004)
	654 344	667 783
	54.32%	56.70%
	7.21%	7.39%
	3.46%	3.89%
	0.01%	0.24%
	0.42%	0.48%
	4.55%	2.34%
	0.67%	0.47%
	11.16%	11.80%

MUNICIPALITY
FINANCIAL STATEMENTS
2017

MANAGING OFFICER

	17.53%	15.25%
	0.69%	1.42%
	40	39
	243	284

due to the provision for bad debts in the amount of R1 567 564 (2016: R1 567 564) and the provision for Impairment, which renders a favourable ratio

	2017	2016
	-22.96%	31.30%
	-22.96%	31.30%

MUNICIPALITY
REVENUES
2017

GENERAL OFFICER

	2017	2016
	0.41	0.20
	2.67%	0.33%
	99.66%	-
	(156.43)%	(173.91)%
	(156.43)%	(173.91)%
	68.51%	35.82%
	0.18	(0.25)
	100.00%	100.00%

included in Appendix "D", whilst operational results are

classified as General, Economic and Trading Services and

MUNICIPALITY
MENTS
2017

AL OFFICER

Percentage Variance %	Budgeted 2017 R	Variance Actual/ Budgeted %
(5.66)% 6.80%	12 864 269 52 878 322	(185.48)% 3.18%
	65 742 591	
6.91% (5.95)%	55 651 591 10 091 000	(3.13)% -202.48%
	65 742 591	

MUNICIPALITY
INDEPENDENT
2017

LOCAL OFFICER

ality, excluding those listed below. The main income

Percentage Variance %	Budgeted 2017 R	Variance Actual/ Budgeted %
10.23%	50 958 322	(2.24)%
10.65%	(51 768 591)	(0.66)%
	(810 269)	
	(1.59)%	

onal grants being allocated to the Municipality.

the community and includes the rental of units owned by
 ising Rentals.

Percentage Variance %	Budgeted 2017 R	Variance Actual/ Budgeted %
62.00%	720 000	100.00%
(19.98)%	(2 149 500)	(6.62)%
	(1 429 500)	
	(198.54)%	

MUNICIPALITY MENTS 2017
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LOCAL OFFICER

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it.

received as a Housing Accreditation Grant.

MUNICIPALITY
MENTS
2017

AL OFFICER

in the form of Internal Audit Services. Income is mainly

Percentage Variance %	Budgeted 2017 R	Variance Actual/ Budgeted %
(29.01)%	-	100.00%
(49.66)%	(534 000)	100.00%
	(534 000)	
	(100.00)%	

ear it however continued generating revenue through its

05 241). Full details of Assets are disclosed in Notes 6,

Percentage Variance %	Budgeted 2017 R	Variance Actual/ Budgeted %
-	-	-
-	-	-

MUNICIPALITY
FINANCIAL STATEMENTS
2017

MANAGERIAL OFFICER

(99.30)%	11 000	(29.60)%
	11 000	

	2017	2016
	-	-
	99.66%	-
	-	-
	0.34%	100.00%
	100.00%	100.00%

municipality does not have the financial resources to finance

MUNICIPALITY
MENTS
2017

AL OFFICER

	2017	2016
	(2 773 269)	(1 685 000)
	1 684 121	(1 737 215)
	52 831	(1 751 133)
	64 926	(1 252)
	137 448	285 529
	(5 028)	(123 327)
	(92 652)	(40 067)
	(2 330 520)	(999 444)
	1 077 784	1 010 700
	(5 802 922)	(5 950 022)
	9 013 402	12 376 884
	(371 777)	(717 870)
	654 344	667 783

	2017	2016
	(2 773 269)	(1 685 000)
	300 329	302 457

MUNICIPALITY MENTS 2017 AL OFFICER

	965 419	1 793 735
	(2 886 317)	(29 483)
	0	6 140
	1 042 262	92 759
	2 593	148 407
	404 469	(237 975)
	69 490	(42 284)
	344 637	1 020 234
	331	(254 234)
	3 184 398	(446 973)
	654 342	667 783

included in Appendix "D", whilst operational results are

MUNICIPALITY
FINANCIAL STATEMENTS
2017

LOCAL OFFICER

Percentage Variance %	Budgeted 2017 R	Variance Actual/ Budgeted %
107.60%	11 000	20758.58%
	11 000	

led in Appendix "C" and in Appendix "E (4)".

41 659) (2016: R(10 996 004)) and is made up as

(10 341 660)
<u>(10 341 660)</u>

the Capital Development Fund, and is a cash-backed
 ire. Cash contributions, depending on the availability of

funds (external loans and grants) is able to finance its

494 (2016: R1 104 904).

ar to enable the Municipality to finance part of its capital

MUNICIPALITY
EXPENSES
2017

DEPUTY CLERK

3 618 424) and is made up as follows:

59 618
12 913 104
<hr/>
12 972 722
<hr/>

Health Care Benefits for employees of the Municipality after unfunded.

MUNICIPALITY
EXPENDITURES
2017

LOCAL OFFICER

7) and is made up as follows:

1 124 729

8 046 410

2 381 101

1 322 443

12 874 683

are short-term (less than 12 months). There is no known

2017 (2016: R11 783 984).

75).

and are in respect of computer software obtained by the
 earned.

2016: R860 000).

are both, rather than for use in the production or supply of
 operations.

MUNICIPALITY EXPENDITURES 2017 MANAGER

and is made up as follows:

2 221 147
3 185 954
5 397
<u>5 236 602</u>

to finance its annual capital programmed. Operating grants

MUNICIPALITY
FINANCIAL STATEMENTS
2017

FINANCIAL OFFICER

Page 48.

By, the Municipal Manager and Heads of Departments for
all staff in the Finance Department, for without their

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Note	2017 R
ASSETS		
Current Assets		5 236 602
Receivables from Exchange Transactions	2	2 221 147
VAT Receivable	3	(175 895)
Cash and Cash Equivalents	4	3 185 954
Current Portion of Operating Lease Receivables	5	5 397
Non-Current Assets		13 089 640
Property, Plant and Equipment	6	11 858 570
Intangible Assets	7	9 306
Investment Property	8	1 210 000
Operating Lease Receivables	5	11 764
Total Assets		18 326 242
LIABILITIES		
Current Liabilities		12 874 683
Current Portion of Employee Benefit Liabilities	9	1 124 729
Payables from Exchange Transactions	10	8 046 410
Unspent Conditional Grants and Receipts	11	2 381 101
VAT Payable	3	-
Current Portion of Long-term Liabilities	12	1 322 443
Non-Current Liabilities		15 793 216
Long-term Liabilities	12	2 820 494
Employee Benefit Liabilities	13	12 972 722
Total Liabilities		28 667 899
Total Assets and Liabilities		(10 341 657)
NET ASSETS		(10 341 660)
Accumulated Surplus / (Deficit)	14	(10 341 660)
Total Net Assets		(10 341 660)

2017

2016
R

2 208 821

1 654 267
-
550 208
4 346

12 668 322

11 783 984
14 475
860 000
9 863

14 877 143

11 149 817

1 180 404
5 446 702
1 580 591
1 429 641
1 512 479

14 723 328

1 104 904
13 618 424

25 873 145

(10 996 002)

(10 996 004)

(10 996 004)

(10 996 004)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 R
REVENUE		
Revenue from Non-exchange Transactions		
Government Grants and Subsidies Received	15	49 515 453
Public Contributions and Donations	16	9 302
Revenue from Exchange Transactions		
Rental of Facilities and Equipment	17	103 056
Interest Earned - External Investments	18	619 647
Other Revenue	19	3 964 985
Other Gains and Losses		350 000
Total Revenue		54 562 443
EXPENDITURE		
Employee Related Costs	20	29 282 022
Remuneration of Councillors	21	3 884 250
Depreciation and Amortisation	22	1 862 552
Impairment Losses	23	5 028
Repairs and Maintenance	25	225 652
Finance Costs	26	2 450 520
Contracted Services	27	362 216
Grants and Subsidies Paid	28	6 013 922
General Expenses	29	9 450 160
Loss on Disposal of Investment Property	30	-
Loss on Disposal of Property, Plant and Equipment	30	371 777
Total Expenditure		53 908 099
SURPLUS / (DEFICIT) FOR THE YEAR		654 344
Refer to Budget Statement for explanation of budget variances		

30 JUNE 2017

2016
R

46 519 541

-

142 046

495 478

3 932 720

-

51 089 785

28 589 133

3 727 252

1 963 471

123 327

241 067

1 181 444

239 300

5 950 022

7 689 116

717 870

-

50 422 002

667 783

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2016		
Balance at 1 July 2015	(11 656 109)	(11 656 109)
Correction of Error (Note 32)	(7 678)	(7 678)
Restated Balance	(11 663 787)	(11 663 787)
Surplus / (Deficit) for the year	667 783	667 783
Balance at 30 June 2016	(10 996 004)	(10 996 004)
2017		
Restated Balance at 1 July 2016	(10 996 004)	(10 996 004)
Surplus / (Deficit) for the year	654 344	654 344
Balance at 30 June 2017	(10 341 660)	(10 341 660)

Details on the movement of the Funds and Reserves are set out in Note 14.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 201

		Actu
	Note	2017 R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Government Grant and Subsidies		50 315 963
Public Contributions and Donations		-
Interest Received		619 647
Other Receipts		2 195 320
Payments		
Employee Related Costs		(29 440 243)
Remuneration of Councillors		(3 884 250)
Interest Paid		(2 450 520)
Suppliers Paid		(13 951 283)
Other Payments		-
NET CASH FLOWS FROM OPERATING ACTIVITIES	34	3 404 634
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	6	(2 294 444)
Proceeds on Disposal of Investment Property	30	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(2 294 444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	12	2 286 700
Repayment of Borrowings	12	(761 146)
NET CASH FLOWS FROM FINANCING ACTIVITIES		1 525 554
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		2 635 746
Cash and Cash Equivalents at Beginning of Period	4	550 208
Cash and Cash Equivalents at End of Period	4	3 185 954

ial

2016

R

47 175 011

-

495 478

3 123 530

(28 027 775)

(3 727 252)

(1 181 444)

(13 523 846)

(2 607 544)

1 726 158

(1 105 241)

417 300

(687 941)

-

(1 012 812)

(1 012 812)**25 406**

524 802

550 208

PIXLEY-KA-S

STATEMENT OF COMPARISON OF BUDGET

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
	R	R	R
FINANCIAL POSITION			
Current Assets			
Receivables from Exchange Transactions	-	2 140 099	2 140 099
VAT Receivable	-	-	-
Cash and Cash Equivalents	944 000	97 901	1 041 901
Current Portion of Operating Lease Receivables	-	-	-
Non-Current Assets			
Property, Plant and Equipment	13 172 998	(2 238 000)	10 934 998
Intangible Assets	48 000	-	48 000
Investment Property	-	-	-
Operating Lease Receivables	-	-	-
Total Assets	14 164 998	-	14 164 998
Current Liabilities			
Current Portion of Employee Benefit Liabilities	1 223 132	-	1 223 132
Payables from Exchange Transactions	1 586 000	-	1 586 000
Unspent Conditional Grants and Receipts	-	-	-
VAT Payable	-	-	-
Current Portion of Long-term Liabilities	-	-	-
Non-Current Liabilities			
Long-term Liabilities	1 264 866	-	1 264 866
Retirement Benefit Liabilities	-	-	-
Total Liabilities	4 073 998	-	4 073 998
Total Assets and Liabilities	10 091 000	-	10 091 000
Net Assets (Equity)			
Accumulated Surplus / (Deficit)	10 091 000	-	10 091 000
Total Net Assets	10 091 000	-	10 091 000

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed:

Receivables from Exchange Transactions:

In previous financial years the Municipality budgeted for all debtors to be recovered, but during the current year was over-budgeted for.

Cash and Cash Equivalents:

Due to cost-cutting measures and the increase in funding through grants, the Municipality was able to increase cash and cash equivalents.

Operating Lease Assets:

Due to the fact that this is an accounting entry for the straightlining of rental income, no budgeted amount has been allocated.

Intangible Assets:

The decrease is due to the Amortisation Expense in the current year and the fact that no new Intangible Assets were acquired.

Investment Property:

The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at year end.

Payables from Exchange Transactions:

The material difference is attributed to the outstanding account of the Auditor-General, which has not been paid.

Unspent Conditional Grants and Receipts:

Although management attempts to employ all grant funds, certain conditions were not met resulting in the funds being unspent.

PIXLEY-KA-S

STATEMENT OF COMPARISON OF BUDGET

VAT Receivable (Payable):

The Municipality settled its outstanding VAT balance during the year. The Municipality engaging with SARS o

Long-term Liabilities:

A new loan was obtained from Standard Bank in order to settle the Canon finance leases, which has been cl

Retirement Benefit Liabilities:

The Municipality did not budget for the Retirement Benefit Liability.

PIXLEY-KA-S

STATEMENT OF COMPARISON OF BUDGET

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
	R	R	R
FINANCIAL PERFORMANCE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	42 117 000	5 099 400	47 216 400
Public Contributions and Donations	-	-	-
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	-	50 000	50 000
Interest Earned - External Investments	207 500	104 500	312 000
Other Income	4 539 238	760 684	5 299 922
Other Gains and Losses from Operations	-	-	-
Total Revenue	46 863 738	6 014 584	52 878 322
Expenditure			
Employee Related Costs	28 259 000	1 075 853	29 334 853
Remuneration of Councillors	3 892 700	56 476	3 949 176
Depreciation and Amortisation	2 000 000	-	2 000 000
Impairment Losses	-	-	-
Repairs and Maintenance	155 000	(22 000)	133 000
Finance Costs	100 000	20 000	120 000
Contracted Services	1 400 000	40 000	1 440 000
Grants and Subsidies Paid	-	211 000	211 000
General Expenses	15 468 000	2 995 562	18 463 562
Loss on Disposal of Property, Plant and Equipment	-	-	-
Total Expenditure	51 274 700	4 376 891	55 651 591
Surplus/(Deficit)	(4 410 962)	1 637 693	(2 773 269)
Surplus/(Deficit for the Year)	(4 410 962)	1 637 693	(2 773 269)

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed:

Rental of Facilities and Equipment:

The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at year end.

Interest Earned - External Investments:

Due to cost-cutting measures and the increase in funding through grants, the Municipality was able to increase interest earned.

Other Income:

The Municipality is generating less income from their Shared Services due to other Municipalities experiencing financial difficulties.

Impairment Losses:

This is represented by Medical Aid debtors written-off during year due to the fact that they are deceased.

Repairs and Maintenance:

Unforeseen Repairs and Maintenance expenditure occurred.

Finance Costs:

Due to the Standard Bank loan and the Nashua Finance Leases entered into during the year, which was not budgeted for.

Contracted Services:

Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.

Grants and Subsidies Paid:

The Municipality received a number of Grants, which were not received in previous financial years and the full amount was paid.

General Expenses:

Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on General Expenses.

Loss on Disposal of Property, Plant and Equipment:

A number of assets were disposed off, as well as written-off during the year (including the Canon Finance Lease).

PIXLEY-KA-S
STATEMENT OF COMPARISON OF BUDGET

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PIXLEY-KA-S

STATEMENT OF COMPARISON OF BUDGET

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
CAPITAL EXPENDITURE PER FUNCTION	R	R	R
Finance and Administration	-	11 000	11 000
Total Capital Expenditure	-	11 000	11 000
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual			
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure			
Finance and Administration:			
R2 287 600 of the R2 294 000 is represented by new (Nashua Finance Lease) leased assets. If this is taken			

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
CASH FLOW	R	R	R
Cash Flows from/(used in) Operating Activities			
Grants	41 807 000	4 520 000	46 327 000
Interest Received	205 000	200 000	405 000
Other Receipts	4 722 825	1 292 125	6 014 950
Employee Related Costs	(28 061 446)	1 446 271	(26 615 175)
Remuneration of Councillors	(3 892 700)	(56 476)	(3 949 176)
Interest Paid	(160 000)	(20 000)	(180 000)
Suppliers Paid	(15 943 640)	(4 901 860)	(20 845 500)
Cash Flows from/(used in) Investing Activities			
Purchase of Property, Plant and Equipment	-	(11 000)	(11 000)
Proceeds on Disposal of Investment Property	-	-	-
Cash Flows from/(used in) Financing Activities			
New Loans raised	-	-	-
Loans repaid	(629 000)	-	(629 000)
Cash and Cash Equivalents at End of the Year	(1 951 961)	2 469 060	517 099

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed

Interest Received:

Due to cost-cutting measures and the increase in funding through grants, the Municipality was able to increase

Interest Paid:

Due to the Standard Bank loan and the Nashua Finance Leases entered into during the year, which was not in

Suppliers Paid:

Due to cost-cutting measures, the Municipality was able to under-spend on this item (General Expenses and

Purchase of Property, Plant and Equipment:

R2 287 600 of the R2 294 000 is represented by new (Nashua Finance Lease) leased assets. If this is taken

Loans repaid:

Due to the Standard Bank loan and the Nashua Finance Leases entered into during the year, which was not in

PIXLEY-KA-S
STATEMENT OF COMPARISON OF BUDGET

PIXLEY-KA-S

STATEMENT OF COMPARISON OF BUDGET

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
	R	R	R
FINANCIAL POSITION			
Current Assets			
Receivables from Exchange Transactions	-	2 140 099	2 140 099
VAT Receivable	-	-	-
Cash and Cash Equivalents	944 000	97 901	1 041 901
Current Portion of Operating Lease Receivables	-	-	-
Non-Current Assets			
Property, Plant and Equipment	13 172 998	(2 238 000)	10 934 998
Intangible Assets	48 000	-	48 000
Investment Property	-	-	-
Operating Lease Receivables	-	-	-
Total Assets	14 164 998	-	14 164 998
Current Liabilities			
Current Portion of Employee Benefit Liabilities	1 223 132	-	1 223 132
Payables from Exchange Transactions	1 586 000	-	1 586 000
Unspent Conditional Grants and Receipts	-	-	-
VAT Payable	-	-	-
Current Portion of Long-term Liabilities	-	-	-
Non-Current Liabilities			
Long-term Liabilities	1 264 866	-	1 264 866
Retirement Benefit Liabilities	-	-	-
Total Liabilities	4 073 998	-	4 073 998
Total Assets and Liabilities	10 091 000	-	10 091 000
Net Assets (Equity)			
Accumulated Surplus / (Deficit)	10 091 000	-	10 091 000
Total Net Assets	10 091 000	-	10 091 000

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed:

Receivables from Exchange Transactions:

The Municipality budgeted for all Receivables to be recovered during the year. This actual outcome did not suit the Municipality.

Cash and Cash Equivalents:

During the current year a VAT audit was concluded, resulting in the Municipality being assessed for outstanding VAT.

Operating Lease Assets:

At the previous yearend, a number of rental contracts were not yet concluded and the Operating Lease Asset was not recognised.

Intangible Assets:

The decrease is due to the Amortisation Expense in the current year and the fact that no new Intangible Assets were acquired.

Investment Property:

The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at year end.

Payables from Exchange Transactions:

The material difference is attributed to the outstanding account of the Auditor-General, which has not been paid.

Unspent Conditional Grants and Receipts:

Although management attempts to employ all grant funds, certain conditions were not met resulting in the funds being unspent.

PIXLEY-KA-S
STATEMENT OF COMPARISON OF BUDGET

VAT Payable:

During the current year a VAT audit was concluded, resulting in the Municipality being assessed for outstanding VAT.

Long-term Liabilities:

The under-budgeted balance is due to the Finance Lease entered into in the previous financial year.

Retirement Benefit Liabilities:

The Municipality did not budget for the Retirement Benefit Liability.

PIXLEY-KA-S

STATEMENT OF COMPARISON OF BUDGET

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
	R	R	R
FINANCIAL PERFORMANCE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	41 857 000	4 470 000	46 327 000
Public Contributions and Donations	-	-	-
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	-	80 000	80 000
Interest Earned - External Investments	205 000	200 000	405 000
Other Income	4 722 875	1 292 125	6 015 000
Total Revenue	46 784 875	6 042 125	52 827 000
Expenditure			
Employee Related Costs	28 138 000	(1 300 000)	26 838 000
Remuneration of Councillors	3 816 000	(90 000)	3 726 000
Depreciation and Amortisation	2 000 000	249 000	2 249 000
Impairment Losses	-	-	-
Repairs and Maintenance	280 000	(79 000)	201 000
Finance Costs	162 000	20 000	182 000
Contracted Services	625 000	625 000	1 250 000
Grants and Subsidies Paid	-	-	-
General Expenses	15 039 000	5 027 000	20 066 000
Loss on Disposal of Investment Property	-	-	-
Total Expenditure	50 060 000	4 452 000	54 512 000
Surplus/(Deficit)	(3 275 125)	1 590 125	(1 685 000)
Surplus/(Deficit for the Year)	(3 275 125)	1 590 125	(1 685 000)

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed:

Rental of Facilities and Equipment:

The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at year end.

Interest Earned - External Investments:

Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in external investments.

Other Income:

The Municipality is generating less income from their Shared Services due to other Municipalities experiencing financial difficulties.

Impairment Losses:

Based on historical information, the Municipality budgeted for impairment losses remaining at the same level.

Repairs and Maintenance:

Unforeseen Repairs and Maintenance expenditure occurred.

Finance Costs:

Finance cost on the Finance Leases resulted in the over expenditure.

Contracted Services:

Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.

Grants and Subsidies Paid:

The Municipality received a number of Grants, which were not received in previous financial years and the funds were used for various projects.

General Expenses:

Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.

Loss on Disposal of Investment Property:

Unforeseen General Expenditure occurred.

PIXLEY-KA-S
STATEMENT OF COMPARISON OF BUDGET

PIXLEY-KA-S

STATEMENT OF COMPARISON OF BUDGET

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
CAPITAL EXPENDITURE PER FUNCTION	R	R	R
Finance and Administration	-	11 000	11 000
Total Capital Expenditure	-	11 000	11 000

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function:

Finance and Administration:

A number of movable assets were acquired during the year, which the Municipality did not budget for.

2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
CASH FLOW	R	R	R
Cash Flows from/(used in) Operating Activities			
Grants	46 529 825	5 812 125	52 341 950
Interest Received	205 000	200 000	405 000
Other Receipts	-	-	-
Employee Related Costs	(28 138 000)	1 300 000	(26 838 000)
Remuneration of Councillors	(3 816 000)	90 000	(3 726 000)
Interest Paid	(160 000)	(20 000)	(180 000)
Suppliers Paid	(15 943 640)	(4 901 860)	(20 845 500)
Other Payments			-
Cash Flows from/(used in) Investing Activities			
Purchase of Property, Plant and Equipment	-	(11 000)	(11 000)
Proceeds on Disposal of Investment Property	-	-	-
Cash Flows from/(used in) Financing Activities			
New Loans raised	-	-	-
Loans repaid	(629 000)	-	(629 000)
Cash and Cash Equivalents at End of the Year	(1 951 815)	2 469 265	517 450

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed:

Interest Received:

Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in the year.

Interest Paid:

Finance cost on the Finance Leases resulted in the over expenditure.

Suppliers Paid:

Unforeseen Repairs and Maintenance and General Expenditure occurred.

Purchase of Property, Plant and Equipment:

A number of movable assets were acquired during the year, which the Municipality did not budget for.

Proceeds on Disposal of Property, Plant and Equipment:

The Municipality is busy disposing of its Investment Property and as the potential proceeds were uncertain, no proceeds were recorded.

PIXLEY-KA-S
STATEMENT OF COMPARISON OF BUDGET

Loans repaid:

The under-budgeted balance is due to the Finance Lease entered into in the previous financial year.

PIXLEY-KA-S

STATEMENT OF COMPARISON OF BUDGET

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF

	Descript
Net Surplus/(Deficit) per the Statement of Financial Performance	
Revenue from Non-exchange Transactions	
Government Grants and Subsidies Received	
Public Contributions and Donations	
Revenue from Exchange Transactions	
Rental of Facilities and Equipment	
Interest Earned - External Investments	
Other Revenue	
Other Gains and Losses	
Expenditure	
Employee Related Costs	
Remuneration of Councillors	
Depreciation and Amortisation	
Impairment Losses	
Repairs and Maintenance	
Finance Costs	
Contracted Services	
Grants and Subsidies Paid	
General Expenses	
Loss on Disposal of Property, Plant and Equipment	
Net Surplus/Deficit per Approved Budget	

SEME DISTRICT MUNICIPALITY

AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance
R	R	R	R	R	R
-	-	2 140 099	2 221 147	-	81 048
-	-	-	(175 895)	-	(175 895)
-	-	1 041 901	3 185 954	-	2 144 053
-	-	-	5 397	-	5 397
-	-	10 934 998	11 858 570	-	923 572
-	-	48 000	9 306	-	(38 694)
-	-	-	1 210 000	-	1 210 000
-	-	-	11 764	-	11 764
-	-	14 164 998	18 326 242	-	4 161 244
-	-	1 223 132	1 124 729	-	(98 403)
-	-	1 586 000	8 046 410	-	6 460 410
-	-	-	2 381 101	-	2 381 101
-	-	-	-	-	-
-	-	-	1 322 443	-	1 322 443
-	-	1 264 866	2 820 494	-	1 555 628
-	-	-	12 972 722	-	12 972 722
-	-	4 073 998	28 667 899	-	24 593 901
-	-	10 091 000	(10 341 657)	-	(20 432 657)
-	-	10 091 000	(10 341 660)	-	(20 432 660)
-	-	10 091 000	(10 341 660)	-	(20 432 660)

sed in the Statement of Financial Position are explained below:

ear it was budgeted that not all debts would be settled. Due to the fact that the majority of the debtors settled th

se its Cash and Investment balance during the year.

s been included by management.

sts were purchased during the year.

rearend. The increase in comparison to the prior year balance is due to the R350 000 fair value adjustment mac

id in full as budgeted for.

ids not being recognised as revenue.

SEME DISTRICT MUNICIPALITY
AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

n input VAT not allowed, which resulted in the balance at yearend.

assified as irregular during previous audits.

SEME DISTRICT MUNICIPALITY

AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance
R	R	R	R	R	R
-	-	47 216 400	49 515 453	-	2 299 053
-	-	-	9 302	-	9 302
-	-	50 000	103 056	-	53 056
-	-	312 000	619 647	-	307 647
-	-	5 299 922	3 964 985	-	(1 334 937)
-	-	-	350 000	-	350 000
-	-	52 878 322	54 562 443	-	1 684 121
-	-	29 334 853	29 282 022	-	(52 831)
-	-	3 949 176	3 884 250	-	(64 926)
-	-	2 000 000	1 862 552	-	(137 448)
-	-	-	5 028	-	5 028
-	-	133 000	225 652	-	92 652
-	-	120 000	2 450 520	-	2 330 520
-	-	1 440 000	362 216	-	(1 077 784)
-	-	211 000	6 013 922	-	5 802 922
-	-	18 463 562	9 450 160	-	(9 013 402)
-	-	-	371 777	-	371 777
-	-	55 651 591	53 908 099	-	(1 743 492)
-	-	(2 773 269)	654 344	-	3 427 613
-	-	(2 773 269)	654 344	-	3 427 613

sed in the Statement of Financial Performance are explained below:

rearend. As all property was not sold, the Municipality generated Rental Income during the year.

se its Cash and Investment balance during the year.

ig financial difficulties.

udgeted for.

Services.

nds were spent accordingly.

enses.

ases, that were settled).

SEME DISTRICT MUNICIPALITY
AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

SEME DISTRICT MUNICIPALITY

AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance
R	R	R	R	R	R
-	-	11 000	2 294 444	-	2 283 444
-	-	11 000	2 294 444	-	2 283 444

Capital Expenditure per Function are explained below:

into account, the actual capital expenditure, out of Own Funds, did not exceed the budgeted amount.

Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance
R	R	R	R	R	R
-	-	46 327 000	50 315 963	-	3 988 963
-	-	405 000	619 647	-	214 647
-	-	6 014 950	2 195 320	-	(3 819 630)
-	-	(26 615 175)	(29 440 243)	-	(2 825 068)
-	-	(3 949 176)	(3 884 250)	-	64 926
-	-	(180 000)	(2 450 520)	-	(2 270 520)
-	-	(20 845 500)	(13 951 283)	-	6 894 217
-	-	(11 000)	(2 294 444)	-	(2 283 444)
-	-	-	-	-	-
-	-	-	2 286 700	-	2 286 700
-	-	(629 000)	(761 146)	-	(132 146)
-	-	517 099	2 635 744	-	2 118 645

as shown in the Cash Flow Statement are explained below:

as to its Cash and Investment balance during the year.

budgeted for.

Contracted Services are the main reasons for this).

into account, the actual capital expenditure, out of Own Funds, did not exceed the budgeted amount.

budgeted for.

SEME DISTRICT MUNICIPALITY
AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

SEME DISTRICT MUNICIPALITY

AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance
R	R	R	R	R	R
-	-	2 140 099	1 654 267	-	(485 832)
-	-	-	-	-	-
-	-	1 041 901	550 208	-	(491 693)
-	-	-	4 346	-	4 346
-	-	10 934 998	11 783 984	-	848 986
-	-	48 000	14 475	-	(33 525)
-	-	-	860 000	-	860 000
-	-	-	9 863	-	9 863
-	-	14 164 998	14 877 143	-	712 145
-	-	1 223 132	1 180 404	-	(42 728)
-	-	1 586 000	5 446 702	-	3 860 702
-	-	-	1 580 591	-	1 580 591
-	-	-	1 429 641	-	1 429 641
-	-	-	1 512 479	-	1 512 479
-	-	1 264 866	1 104 904	-	(159 962)
-	-	-	13 618 424	-	13 618 424
-	-	4 073 998	25 873 145	-	21 799 148
-	-	10 091 000	(10 996 002)	-	(21 087 002)
-	-	10 091 000	(10 996 004)	-	(21 087 004)
-	-	10 091 000	(10 996 004)	-	(21 087 004)

sed in the Statement of Financial Position are explained below:

upport management's plans as certain Shared Service Debtors cannot meet their financial responsibilities.

ng VAT. This balance is being repaid and a number of VAT Receivable amounts have been withheld by SARS

: balance at yearend was R0. These contracts were however concluded in the current year, resulting in an Oper

sts were purchased during the year.

rearend.

id in full as budgeted for.

ids not being recognised as revenue.

SEME DISTRICT MUNICIPALITY
AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

ing VAT. This balance is being repaid and a number of VAT Receivable amounts have been withheld by SARS.

SEME DISTRICT MUNICIPALITY

AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance
R	R	R	R	R	R
-	-	46 327 000	46 519 541	-	192 541
-	-	-	-	-	-
-	-	80 000	142 046	-	62 046
-	-	405 000	495 478	-	90 478
-	-	6 015 000	3 932 720	-	(2 082 280)
-	-	52 827 000	51 089 785	-	(1 737 215)
-	-	26 838 000	28 589 133	-	1 751 133
-	-	3 726 000	3 727 252	-	1 252
-	-	2 249 000	1 963 471	-	(285 529)
-	-	-	123 327	-	123 327
-	-	201 000	241 067	-	40 067
-	-	182 000	1 181 444	-	999 444
-	-	1 250 000	239 300	-	(1 010 700)
-	-	-	5 950 022	-	5 950 022
-	-	20 066 000	7 689 116	-	(12 376 884)
-	-	-	717 870	-	717 870
-	-	54 512 000	50 422 002	-	(4 089 998)
-	-	(1 685 000)	667 783	-	2 352 783
-	-	(1 685 000)	667 783	-	2 352 783

sed in the Statement of Financial Performance are explained below:

rearend. As all property was not sold, the Municipality generated Rental Income during the year.

ed in Term and Call Deposits, which generated more income than budgeted for.

ig financial difficulties.

. But, as Shared Services Debtors were recovered this expenditure decreased significantly.

Services.

nds were spent accordingly.

Services.

SEME DISTRICT MUNICIPALITY
AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

SEME DISTRICT MUNICIPALITY

AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance
R	R	R	R	R	R
-	-	11 000	1 105 241	-	1 094 241
-	-	11 000	1 105 241	-	1 094 241

Capital Expenditure per Function are explained below:

Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance
R	R	R	R	R	R
-	-	52 341 950	47 175 011	-	(5 166 939)
-	-	405 000	495 478	-	90 478
-	-	-	3 123 530	-	3 123 530
-	-	(26 838 000)	(28 027 775)	-	(1 189 775)
-	-	(3 726 000)	(3 727 252)	-	(1 252)
-	-	(180 000)	(1 181 444)	-	(1 001 444)
-	-	(20 845 500)	(13 523 846)	-	7 321 654
-	-	-	(2 607 544)	-	(2 607 544)
-	-	(11 000)	(1 105 241)	-	(1 094 241)
-	-	-	417 300	-	417 300
-	-	-	-	-	-
-	-	(629 000)	(1 012 812)	-	(383 812)
-	-	517 450	25 405	-	(492 045)

as shown in the Cash Flow Statement are explained below:

and in Term and Call Deposits, which generated more income than budgeted for.

one were budgeted for.

SEME DISTRICT MUNICIPALITY
AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

SEME DISTRICT MUNICIPALITY
AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

FINANCIAL PERFORMANCE:

ion

Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R
3.79%	(100.00)%
-	-
205.78%	237.50%
100.00%	100.00%
8.45%	(9.98)%
(80.61)%	(80.61)%
100.00%	100.00%
100.00%	100.00%
(8.05)%	(8.05)%
407.34%	407.34%
100.00%	100.00%
100.00%	100.00%
100.00%	100.00%
122.99%	122.99%
100.00%	100.00%
(202.48)%	(202.48)%

air accounts, the balance at yearend

le, based on a Professional Valuer's



Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R
4.87%	17.57%
0.00%	0.00%
106.11%	100.00%
98.60%	198.63%
(25.19)%	-12.65%
100.00%	100.00%
(0.18)%	3.62%
(1.64)%	-0.22%
(6.87)%	-6.87%
100.00%	100.00%
69.66%	45.58%
1942.10%	2350.52%
(74.85)%	-74.13%
2750.20%	#DIV/0!
(48.82)%	-38.91%
#DIV/0!	#DIV/0!
(123.59)%	(114.83)%

Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R
20758.58%	100.00%

Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R
8.61%	20.35%
53.00%	202.27%
(63.50)%	(53.52)%
10.61%	4.91%
(1.64)%	(0.22)%
1261.40%	1431.58%
(33.07)%	(12.50)%
20758.58%	(100.00)%
-	-
100.00%	100.00%
21.01%	21.01%

Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R
(22.70)%	(100.00)%
-	-
(47.19)%	(41.72)%
100.00%	100.00%
7.76%	(10.54)%
(69.84)%	(69.84)%
100.00%	100.00%
100.00%	100.00%
(3.49)%	(3.49)%
243.42%	243.42%
100.00%	100.00%
100.00%	100.00%
100.00%	100.00%
(12.65)%	(12.65)%
100.00%	100.00%
(208.97)%	(208.97)%

placing pressure on the Cash and

ating Lease Asset being



Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R
0.42%	11.14%
-	-
77.56%	(30.71)%
22.34%	(89.51)%
(34.62)%	(100.00)%
6.52%	1.60%
0.03%	(2.33)%
(12.70)%	(1.83)%
100.00%	100.00%
19.93%	(13.90)%
549.15%	629.29%
(80.86)%	(61.71)%
100.00%	100.00%
(61.68)%	(48.87)%
100.00%	100.00%
(139.63)%	(120.39)%

Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R
9947.65%	100.00%

Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R
(9.87)%	1.39%
22.34%	141.70%
100.00%	100.00%
4.43%	(0.39)%
0.03%	(2.33)%
556.36%	638.40%
(35.12)%	(15.18)%
(100.00)%	(100.00)%
9947.65%	#DIV/0!
100.00%	100.00%
-	-
61.02%	61.02%



2017	2016
R	R
654 344	667 783
(2 299 053)	(192 541)
(9 302)	-
(53 056)	(62 046)
(307 647)	(90 478)
1 334 937	2 082 280
(350 000)	-
(52 831)	1 751 133
(64 926)	1 252
(137 448)	(285 529)
5 028	123 327
92 652	40 067
2 330 520	999 444
(1 077 784)	(1 010 700)
5 802 922	5 950 022
(9 013 402)	(12 376 884)
371 777	717 870
(2 773 269)	(1 685 000)

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards and Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidance and amendments issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2016 and 30 June 2015, the Municipality has adopted the accounting policies set out in 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the entity's financial position, financial performance or cash flows.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis for the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in applying the Municipality's Accounting Policies and that have the most significant effect on the amounts reported in the financial statements.

1.2.1 Revenue Recognition

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 23 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recorded by the management.

In making their judgement, management considered the detailed criteria for the recognition of revenue from exchange transactions and GRAP 23: Revenue from non-exchange transactions. For the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership, and when services are rendered, whether the service has been rendered. Also of importance is the initial measurement of revenue at the fair value thereof. Management of the Municipality is satisfied that the revenue is measured at the fair value thereof.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement in accordance with Accounting Policy 7.1 on Financial Assets Classification and Accounting Policy 7.2 on Financial Liabilities (Criteria for Classification). The criteria considered by the management of the Municipality in the classification of financial assets and liabilities are as follows:

In making the above-mentioned judgement, management considered the definition and recognition criteria of financial instruments as set out in GRAP 104: *Financial Instruments*.

1.2.3 Impairment of Financial Assets

Accounting Policy 7.4 on Impairment of Financial Assets describes the process followed to determine whether financial assets should be impaired. In making the estimation of the impairment, management considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. Management used judgement to select a variety of methods and make assumptions that are mainly based on the current status of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets is measured accurately.

The calculation in respect of the impairment of debtors is based on an assessment of the debtors who have defaulted on payments already due, and an assessment of their ability to make payments was performed per service-identifiable categories across all classes of debtors. The impairment of trade and other receivables from exchange transactions is disclosed in note 10 of the financial statements.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. BASIS OF PRESENTATION (continued)

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2 the Municipality depreciates its investment property, and amortises its intangible assets over the estimated useful lives and residual values of the assets at the end of their useful lives, which is determined when the useful lives of assets are based on management's estimation. Management considered the capital funding, service requirements and required return on assets in order to determine where appropriate.

The estimation of residual values of assets is based on management's judgement as to what

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment Property

Accounting Policy 6 on Impairment of assets describes the conditions under which non-financial impairment losses by the management of the Municipality. Significant estimates and judgment are required in plant and equipment impairment testing and Intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable amount of assets involves significant judgment by management. During the year the estimated impairment losses on plant and equipment made are disclosed in note 6 to the AFS, whilst no impairments were made to investment property.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 10, the Municipality obtains actuarial valuations of its defined benefit obligations of the Municipality that were identified as Post-retirement Health Care Liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities by the actuaries in estimating the liabilities are provided in Note 13 to the Annual Financial Statements.

1.2.8 Budget information

Deviations between budget and actual amounts are regarded as material differences where the differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest cent, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP standards have been issued but are not yet effective and have not been adopted:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 105 Transfers between entities under common control - issued November 2010
- GRAP 106 Transfers between entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 for period starting after 1 January 2012 listed above will only be effective when a date is announced by the Minister of Finance.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. BASIS OF PRESENTATION (continued)

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP standards. The GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent standard of the International Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. If a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the standard in developing an appropriate accounting policy dealing with a particular section of the financial statements.

The Municipality applied the principles established in the following Standards of GRAP that are in effect, in developing an appropriate accounting policies dealing with the following transactions and events:

Management has considered all of the above-mentioned GRAP standards issued but no adoption of these standards will not have a significant impact on the financial position, performance and cash flows of the Municipality.

2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained:

2.1 Accumulated Surplus

The Municipality creates and maintains reserves which form part of the Accumulated Surplus.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, the probable future benefits or service potential associated with the item will flow to the Municipality, and if the cost can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of a donation, deemed cost, being the fair value of the asset on initial recognition. The cost of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted from the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. an asset is deemed to be equal to the fair value of that asset on the date acquired).

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary combination of monetary and non-monetary assets is measured at the fair value of the asset received if the fair value of the asset received is more clearly evident. If the acquired item could not be measured at fair value, the carrying amount of the asset given up is used.

Major spare parts and servicing equipment qualify as property, plant and equipment when they are used during more than one period. Similarly, if the major spare parts and servicing equipment are used as an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that the potential service delivery associated with the subsequent expenditure will flow to the entity and the subsequent expenditure can be reliably measured. Subsequent expenditure incurred or expected to be incurred increases the capacity or future economic benefits associated with the asset. Where the asset is replaced, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and impairment.

Compensation from third parties for items of property, plant and equipment that were impaired is recognised in the Statement of Financial Performance when the compensation becomes receivable.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets is calculated on a straight line method, to allocate their cost or revalued amounts to their residual values over the expected useful lives of the assets. The depreciation method used reflects the pattern in which the asset's economic benefits or potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation period for each asset shall be determined by its expected useful life.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years
Buildings	30 - 100
Other	
Specialist Vehicles	5 - 20
Other Vehicles	5 - 10
Office Equipment	3 - 7
Furniture and Fittings	7 - 10

The assets' residual values, estimated useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to expect that the useful life will differ from the previous estimate.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives or the term of the lease, if shorter, the term of the relevant lease if there is no reasonable certainty of ownership by the end of the lease term.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal when the benefits or service potential are expected from its use or disposal.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance. A loss on disposal of property, plant and equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. A Municipality recognises an intangible asset in its Statement of Financial Position only if it is probable that the future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the value of the asset can be measured reliably.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Internally generated intangible assets are subject to strict recognition criteria before they is recognised as an expense as it is incurred. Costs incurred on development projects (re or improved products) are recognised as intangible assets when the following criteria are f

- Other development expenditures that do not meet these criteria are recognised as an expense. Expenditures previously recognised as an expense are not recognised as an asset in a subsequent period. Expenditures recorded as intangible assets and amortised from the point at which the asset is available for use are also tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at a revalued amount, being its fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the carrying amount is increased as a result of a revaluation, the increase is credited directly to equity. If the carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance to the extent that it exceeds the cumulative amount of any previous revaluation increases for the same intangible asset previously recognised in the Statement of Financial Performance.

In terms of GRAP 31, intangible assets are distinguished between internally generated assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged to the profit or loss over the useful lives (when the intangible asset is available for use), the residual value is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such assets are not amortised, however such intangible assets are subject to an annual impairment test.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

<i>Intangible asset</i>	<i>Years</i>
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for sale. Where items of intangible assets have been impaired, an impairment loss, which is recognised as an expense in the period that the impairment is identified, reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually. Adjustments arising from the annual review are applied prospectively as a change in accounting estimate.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no future economic benefits expected from the use of the asset. The gain or loss arising on the disposal or derecognition is determined as the difference between the net disposal proceeds and the carrying value at the date of derecognition.

The Municipality changed its accounting policy from GRAP 102 to GRAP 31 with no effect on the financial statements for the year ended 30 June 2017.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

5.1 Initial Recognition

The cost of self-constructed investment property is the cost at date of completion.

- All properties held to earn market-related rentals or for capital appreciation or both a purposes and that will not be sold within the next 12 months are classified as Investment properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined whether the land is to be used for long-term occupancy or for short-term sale in the ordinary course of business, the land is classified as investment property);
- A building owned by the entity (or held by the entity under a finance lease) and leased to others under operating leases (this will include the property portfolio rented out by the Housing Board on behalf of the Government);
- A building that is vacant but is held to be leased out under one or more operating leases; and
- Property that is being constructed or developed for future use as investment property

Investment property is measured using the fair value model. Investment property is carried at its fair market value determined by external valuers at the date of the last general valuation. Changes in fair value, less costs of disposal, are recognized in profit or loss. Gains or losses arising from changes in fair value, less costs of disposal, are recognized in profit or loss. Changes in fair value, less costs of disposal, are recognized in profit or loss. Gains or losses arising from changes in fair value, less costs of disposal, are recognized in profit or loss.

An investment property shall be derecognised (eliminated from the Statement of Financial Position) when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

6.1 Impairment of Cash generating assets

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

The Municipality assesses at each reporting date whether there is any indication that an impairment exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

The best evidence of fair value less costs of disposal is the price in a binding sale agreement in the ordinary course of business. If no such price is available, then the fair value less costs of disposal is determined by reference to other observable market data. The incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus. The impairment is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

6. IMPAIRMENT OF ASSETS (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than its carrying amount. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that impairment losses may no longer exist or may have decreased. If any such indication exists, those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss is determined as the difference between the carrying amount of the asset and the recoverable amount of the asset at the end of the reporting period.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation is recognised in the Statement of Financial Performance.

6.2 Impairment of Non-Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an impairment loss exists, the Municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is the higher of the asset's fair value less costs to sell and its value in use. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining cash flows.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an orderly transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount is reduced to the recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than its carrying amount. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that impairment losses may no longer exist or may have decreased. If any such indication exists, those assets are estimated.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

The increased carrying amount of an asset attributable to a reversal of an impairment loss that would have been determined had no impairment loss been recognised for the asset in

A reversal of an impairment loss of assets carried at cost less accumulated depreciation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss

7. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly classified as financial liabilities or residual interests in accordance with the substance of the contract. The Municipality recognises a financial instrument when it becomes a party to the contractual provisions of

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off currently exists and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

7. FINANCIAL INSTRUMENTS (continued)

7.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments and a fixed or determinable maturity. They are included in current assets, except for maturities greater than 12 months. Financial asset at amortised cost are initially recognised at fair value plus transaction costs attributable to the acquisition or issue of the financial asset. After initial recognition Financial asset at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following criteria:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments and a fixed or determinable maturity; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market, and whose fair value cannot be reliably measured.

The Municipality has the following types of financial assets as reflected on the face of the balance sheet and the notes thereto:

Type of Financial Asset	Classification
Bank Balances and Cash	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits and term highly liquid investments, readily convertible into known amounts of cash that are held with maturities of three months or less and are subject to an insignificant risk of change in value). In the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and other cash equivalents. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

7.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another party.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

There are three main categories of *Financial Liabilities*, the classification determining how liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the notes thereto:

Type of Financial Liabilities	Classification
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value are those financial liabilities that are essentially held for sale in the short term; derivatives other than hedging instruments; and derivatives where there is recent actual evidence of short-term profiteering or are derivatives

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are recorded as an expense.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

7. FINANCIAL INSTRUMENTS (continued)

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs incurred on acquisition or issue of the financial asset. Subsequently, these assets are measured at cost using the Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and other receivables from Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market) are measured as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding direct costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

7.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, including other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance using the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand, are initially measured at fair value. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the liability.

Prepayments are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment (such as a debtor's financial difficulties or a debtor's probability of insolvency or significant financial difficulties of the debtor). If there is such evidence, the impairment loss is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past experience of amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts written off more than 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The impairment loss is calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the effective interest rate. GRAP 104 whereby the recoverability of accounts receivable is assessed individually or collectively for financial assets with similar credit risk characteristics. The amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated are based on historical loss experience for assets with credit risk characteristics similar to those in the group.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

7. FINANCIAL INSTRUMENTS (continued)

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment measured at fair value because its fair value cannot be measured reliably, the amount of the difference between the carrying amount of the financial asset and the present value discounted at the current market rate of return for a similar financial asset. Such impairment

7.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the asset are transferred or the Municipality transfers the financial asset and substantially all the risks and rewards of ownership of the asset. The Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership of the transferred asset, the Municipality recognises its retained interest in the asset and an obligation to pay. If the Municipality retains substantially all the risks and rewards of ownership of the transferred asset, the Municipality continues to recognise the financial asset and also recognises a collateralised liability.

7.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligation is extinguished or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, in the Statement of Financial Performance.

8. GRANTS AND RECEIPTS

Grants, transfers and donations received or receivable are recognised as assets when the conditions are met. Grants, transfers and donations that are not subject to any conditions are recognised as revenue when received or receivable.

A corresponding liability is recognised to the extent that the grant, transfer or donation is subject to conditions which require that the entity either consumes the future economic benefits specified or that in the event that the conditions are breached the entity returns such potential to the transferor. The liability is transferred to revenue when the conditions are met. Grants, transfers or donations that are not subject to any conditions are recognised as revenue when received or receivable.

9. REVENUE RECOGNITION

9.1 General

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources from government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and the amount can be reliably measured, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each type of revenue as described below. The amount of revenue is not considered to be reliably measurable until all the uncertainties have been resolved. The Municipality bases its estimates on historical results, taking into account the type of transaction and the specifics of each arrangement. Furthermore, revenue is recognised at the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality in exchange for goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality provides goods or services without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions

9.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance and takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditions indicate that interest is payable to the funder.

9.2.2 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when applying the relevant authorised tariff. This includes the issuing of licenses and permits.

9.2.3 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the useful life of the asset.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset, is recognised when it is probable that the future economic benefits or service potential associated with the asset and the fair value of the asset can be measured reliably. The asset shall be recognised and a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised when it is probable that an outflow of economic benefit will be required to settle the obligation.

9.3.1 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if not received.

Conditional Grants and receipts

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

Conditional grants, donations and funding are recognised as revenue to the extent that the criteria, conditions or obligations embodied in the agreement. Where the agreement requires the transfer of an asset, other future economic benefits or service potential, in the event of non-compliance enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations are enforceable. Where such requirements are not enforceable, or where past experience has indicated that the requirement to return the transferred asset, other future economic benefits or service potential will not occur, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs are recognised as revenue in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met.

9.3.2 Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and the Regulations thereunder, if the recovery thereof from the responsible councillors or officials is virtually certain.

10. PROVISIONS

Provisions for legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the Municipality expects to settle the obligation at the reporting date or to transfer it to a third party at that time and is determined by management of the entity, supplemented by experience of similar transactions and, in some cases, by the advice of experts. The evidence considered includes any additional evidence provided by events or circumstances surrounding the amount to be recognised as a provision are dealt with by various means and the provision being measured involves a large population of items, the obligation is estimated.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

10. PROVISIONS (continued)

Future events that may affect the amount required to settle an obligation are reflected in the provision if there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not used in measuring a provision. Provisions are not recognised for future operating losses. The contract is recognised and measured as a provision. An onerous contract is a contract where the obligations under the contract exceed the economic benefits expected to be derived from the contract. Costs under a contract reflect the least net cost of exiting from the contract, which is the difference between the compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the estimated amount required to settle the obligation. When the effect of discounting is material, provision is measured at the present value of expected future cash flows that reflect current market assessments of the time value of money. The unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

11. EMPLOYEE BENEFITS

11.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave pay at the reporting date and is recognised as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of leave pay when the Municipality has a present legal or constructive obligation to make such payment.

11.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has established defined contribution post-employment plans.

11.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the contribution rates. Contributions are recognised in the Statement of Financial Performance in the period in which the contributions are made by relevant employees. The Municipality has no further payment obligations once the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.2.2 Defined Benefit Plans

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT

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A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

11.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain employees. Employees who are members of the Medical Aid Funds, with which the Municipality is associated, a member of the Medical Aid Fund (Medical Aid Fund Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund. The Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligations, reduced by unrecognised past service costs. The plan is unfunded. The obligation is calculated using the projected unit credit method, incorporating actuarial assumptions, including the government bond rate. Valuations of these obligations are carried out annually by independent actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

11.4 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain employees. Employees who were not members of a pension fund are recognised as an employee of the Municipality. The funds are maintained to accommodate personnel who, due to age, cannot join or be promoted. The Municipality contributes monthly to the funds.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

11. EMPLOYEE BENEFITS (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plan benefit obligation at the end of the reporting period less the fair value of plan assets, together with past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits are expected to be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

12. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards associated with ownership are transferred to the lessor are classified as operating leases.

12.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the lease payments, each determined at the inception of the lease. The corresponding liability is recognised in the Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the fair value of the leased asset and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted at the interest rate. In discounting the lease payments, the Municipality uses the interest rate that it can obtain for a similar lease with an unguaranteed residual value to the fair value of the asset plus any direct costs incurred. The difference between the lease finance cost and the capital repayment using the effective interest rate is recognised as an expense over the term of the lease.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the payments made, net of interest. The difference between the lease finance cost and the capital repayment using the effective interest rate is expensed when incurred. The accounting policies relating to derecognition of financial liabilities are applied to finance lease liabilities. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The Municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised and the cash payments are recognised as an operating lease asset or liability.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

In the event that lease incentives are received to enter into operating leases, such incentive aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line systematic basis is more representative of the time pattern in which economic benefits from the

12.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recognised as the Municipality's net investment in the leases. Finance lease or installment sale income is recognised so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding.

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

12.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement contains a lease. An arrangement contains a lease if fulfilment of the arrangement is dependent on the use of an asset, and the arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to use the asset. At inception or upon reassessment of the arrangement, the Municipality separates the components required by such an arrangement into those for the lease and those for other elements of the arrangement. If the Municipality concludes for a finance lease that it is impracticable to separate the components, the payments are recognised at an amount equal to the fair value of the underlying asset. Subsequent to recognition, payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

13. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets for which the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs to capitalise by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of borrowing costs applicable to the borrowings of the entity that are outstanding during the period, specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use has been completed. Where the construction of the qualifying asset is capable of being used while construction continues on other parts, the entity shall continue to capitalise borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government. In making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale of goods or services;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period in which the transfer occurred.

15. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with the Value Added Tax Act No 89 of 1991.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not allocated to the Municipality or organ of state and is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). A expenditure is recognised as an expense in the Statement of Financial Performance in the period in which it is incurred. The expenditure is classified in accordance with the nature of the expense, and is accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 2000). Irregular expenditure is expenditure that is contrary to the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is capitalised where it is of a capital nature, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively, except to the extent that it is impracticable to determine the period-specific change in policy. In such cases the Municipality shall restate the opening balances of assets and liabilities at the earliest period for which retrospective restatement is practicable. Refer to Note 31 for details.

Changes in accounting estimates are applied prospectively in accordance with GRAP 16. Changes in accounting estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred, except to the extent that it is impracticable to determine the period-specific error. In such cases the Municipality shall restate the opening balances of assets, liabilities and equity at the earliest period for which retrospective restatement is practicable. Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if they have the ability to control or jointly control the other party or exercise significant influence over the other party's financial and operating decisions. Management is regarded as a related party and comprises the Mayor, the Mayor's Committee members, Municipal Manager, executive directors and all other managers or as designated by the Municipal Manager.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events are disclosed in the notes to the Annual Financial Statements.

22. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at the reporting date.

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Monetary assets and liabilities denominated in foreign currencies at the reporting date are measured at the exchange rate at that date. The foreign currency gain or loss on monetary items is calculated as the difference between the carrying amount at the end of the period, translated at the closing rate, and fair value in the functional currency at the beginning of the period, adjusted for effective interest on the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are measured at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying the exchange rate between the Rand and the foreign currency at the date of the cash flow.

23. COMPARATIVE INFORMATION

23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is changed, the amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and policies adopted by the Council for the preparation of these financial statements. The annual budget is an additional financial statement, called the Statement of Comparison of Budget and Actuals, provided in the notes to the annual financial statements giving firstly reasons for overall over- or under spending on line items. The annual budget figures are for the Municipality and do not include budget information relating to subsidiaries or other entities approved by the Council at the beginning and during the year following a period of consolidated financial statements. The budget is approved on an accrual basis by nature classification.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events, a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

PIXLEY-KA-SEME DISTRICT MUNICIPAL
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

The costs of internal support services are transferred to the various services and departments.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

26. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will result in an outflow of resources.

Capital commitments are not recognised in the Statement of Financial Position as a liability unless they are disclosed in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and reported in the financial statements at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and reported in the financial statements at the reporting date, where disclosure is required by a specific standard of GRAP.
- Items are classified as commitments where the Municipality commits itself to future transactions that will result in an outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not been received by the reporting date, where disclosure is required by a specific standard of GRAP.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost.

27. IN-KIND DONATIONS AND CONTRIBUTIONS

In-kind Donations and Contributions are recognised when it is probable that future economic benefits will flow to the Municipality and these benefits can be measured reliably, except when the fair value of the consideration received is more reliable than the fair value of the asset received.

In the case of Donated Assets, the Donation is recognised at the fair value of the asset received.

28. PUBLIC PRIVATE PARTNERSHIPS

A PPP can generally be described as an agreement between a public sector entity (the public sector) and a private party. In terms of this the private party assumes some substantial financial, operational and/or service risks in the design, financing, building and operation of a project. It typically involves the private party providing goods and/or services that previously were developed or provided by an entity. The private party performs the project on behalf of the entity through the use of assets and/or the management of such an asset. The private party is compensated through payments from the entity. Such payments are based on service outputs delivered by the private party.

The definition of a PPP agreement in the MFMA identifies two broad categories of PPP agreements: one where the private party performs an institutional function on behalf of the entity, and the other where the private party performs a commercial function on behalf of the entity for its own commercial purposes. The PPP agreement can also be a combination of the two.

The Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) states that an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can otherwise regulate the access of others to that benefit. GRAP 23 requires that the ability to regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an asset from a liability. That all entities have access to and from which they benefit.

Under the control approach, the Municipality uses the following criteria to determine whether an asset arises in the PPP agreement:

PIXLEY-KA-SEME DISTRICT MUNICIPAL

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- The Municipality controls or regulates what services the private party must provide and at what price.
- The Municipality controls - through ownership, beneficial entitlement or otherwise - the asset at the end of the agreement.

The control approach to assets that are developed, constructed, acquired or used in territories are used by the private party to perform part of an entity's service delivery or administrative functions.

The control approach is also applied to PPP agreements where the Municipality provides the asset and the private party upgrades, operates and maintains the asset for a specified period of time. If the private party to use its own asset, the Municipality only recognises the asset in its financial statements.

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STATEMENTS

iting and are in accordance with the

s of Generally Recognised Accounting guidelines and directives issued by the 56 of 2003).

OW:

ccounting framework as set out in point
ements are set out below.

ation about the effects of transactions,
flow.

w, management is required to make
ties that are not readily apparent from
xperience and other factors that are
asis of making the judgements about
ctual results may differ from these

visions to accounting estimates are
period, or in the period of the revision

made in the process of applying the
ounts recognised in Annual Financial

8.3 on Revenue from Non-exchange
ement of the Municipality.

ion of revenue as set out in GRAP 9:
ansactions. In particular, whether the
wards of ownership of the goods and
is the estimation process involved in
isfied that recognition of the revenue

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STATEMENTS

nt by management. Accounting Policy
Classification describe the factors and
assets and liabilities.

ecognition criteria for the classification

ved to determine the value at which
the management of the Municipality
14: Financial Instruments and used its
1 market conditions existing at the end
1t of financial assets recorded during

of the extent to which debtors have
s based on their creditworthiness. This
s total increase in estimation of the
2 to the AFS.

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STATEMENTS

ent Property

s property, plant and equipment and of the assets, taking into account the the assets are available for use. The he impact of technology, availability of e the optimum useful life expectation,

whether the assets will be sold or used

ty and Intangible Assets

financial assets are tested for potential ements are made relating to property,

subsequent measurement criteria and ash generating Assets and GRAP 26: ervice amount for PPE and intangible d impairments to property, plant and ntangible assets.

ts defined benefit plan liabilities. The lth Benefit Obligations. The estimated bilities and the key assumptions made Statements.

en a 10% deviation exists. All material

f to the nearest Rand, which is the

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STATEMENTS

equired or permitted by a Standard of

fective

en early adopted by the Municipality:

0
2010

er 1 April 2013. All other standards as

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STATEMENTS

P 3 guidelines in the determination of
on Accounting Policies, Changes in

ement of International Public Sector
cepted Accounting Principles. Where
apply the principles established in that
or event before applying paragraph .12

at have been issued, but is not yet in
ions, but have not early adopted these

t yet effective and anticipates that the
inancial performance or cash flows of

ed in terms of specific requirements:

lus in terms of specific requirements.

the production or supply of goods or
ing more than one year.

ly if it is probable that future economic
ie cost or fair value of the item can be

he case of assets acquired by grant or
ost of an item of property, plant and
ation and condition necessary for it to
rebates are deducted in arriving at the
nd restoring the site on which it is

useful lives, they are accounted for as

.ITY

STATEMENTS

ion-exchange transaction), the cost is

netary assets or monetary assets, or a
sset given up, unless the fair value of
t its fair value, its cost is measured at

n the Municipality expects to use them
can be used only in connection with an
ment.

bable that future economic benefits or
ntity and the cost or fair value of the
n an asset is only capitalised when it
Municipality replaces parts of an asset,

preciation and accumulated

aired, lost or given up is included in the

.ITY

STATEMENTS

Assets other than land is calculated on residual values over the estimated useful life's future economic benefits or service potential. Property, plant and equipment with a cost less than \$10,000 are depreciated on the straight-line basis. Depreciation rates are based on the

3.

annually, and adjusted prospectively if

amend the previous estimate unless

when the asset is available for use.

on the same basis as PPE controlled by the Municipality will obtain

disposal, or when no future economic

.ITY

STATEMENTS

ment is included in the Statement of

ost less accumulated depreciation and
of Financial Performance as a gain or

cognised as intangible assets. The
when it is probable that the expected
o the Municipality and the cost or fair

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STATEMENTS

are capitalised. Research expenditure relating to the design and testing of new fulfilled:

use;

ric benefits;
to use or sell the intangible asset are
ably measured.

sense as incurred. Development costs od. Capitalised development costs are able for use. Development assets are

the purchase price and other costs be capable of operating in the manner nominal cost, the cost shall be its fair at the cost. The cost of an intangible ration of monetary and non-monetary set received is more clearly evident. If rying amount of the asset given up. If t of the asset(s) given up

tisation and any accumulated

alue at the date of the revaluation less rent losses. If the intangible asset's y to the revaluation surplus. However, reverses a revaluation decrease of the

e recognised as part of the cost of an

intangible assets and other intangible arged on a straight-line basis over the value of assets with finite useful lives n indefinite useful life, such intangible nent test. The useful lives per

.ITY

STATEMENTS

: available for use, as per Accounting
the carrying value is adjusted by the
identified except where the impairment
g amount and the recoverable

y at the end of the financial year. Any
counting estimate in the Statement of

› further economic benefits or service
or retirement of an intangible asset is
ind is recognised in the Statement of

on the financial information disclosed

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STATEMENTS

nd and buildings held under a finance
e delivery objectives, the production or

transaction costs once it meets the
l through a non-exchange transaction
value as at the date of acquisition.

ish investment properties from owner

nd that are not used for administrative
ent Properties;

ined that it will use the land as owner-
land is regarded as held for capital
ised out under one or more operating
a commercial basis on behalf of the
ises on a commercial basis to external

;

urried at fair value, representing open
Fair value is based on active market
e specific asset. A gain or loss arising
ncial Performance for the period in

xial Position) on disposal or when the
or service potential are expected from

I return as cash-generating assets. All

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STATEMENTS

n asset may be impaired. If any such
.

ated for the individual asset. If it is not
nt of the cash-generating unit to which

less costs to sell and its value in use.

n an arm's length transaction, adjusted

flows expected to be derived from the

mount of the asset is reduced to its

sation is recognised immediately in the

for that asset. The decrease shall be
revaluation surplus in respect of that

ITY

STATEMENTS

ie unit is less than the carrying amount of the unit, pro rata on the basis of the

n impairment loss recognised in prior s, the recoverable amounts of those

s does not exceed the carrying amount n prior periods.

ciation or amortisation is recognised

n asset may be impaired. If any such

s estimated for the individual asset. If it coverable service amount of the cash-

ess costs to sell and its value in use.

ning service potential.

an arm's length transaction between

g amount of the asset is reduced to its

sation is recognised immediately in the s a revaluation decrease.

ce amount of the unit is less than the nt of the assets of the unit as follows: he unit.

n impairment loss recognised in prior ts, the recoverable service amounts of

.ITY

STATEMENTS

does not exceed the carrying amount
prior periods.

ciation or amortisation is recognised
loss of a revalued asset is treated as a

categorised as either financial assets,
tual agreement. The Municipality only
the instrument.

cial Position when the entity becomes

rceable right to set off the recognised
he asset and settle the liability

.ITY

STATEMENTS

financial asset from another entity.

flows into the three categories allowed

nable payments that are not quoted in 2 months, which are classified as non-plus transaction costs that are directly cial Assets are measured at amortised

ig conditions:

nts that are designated at fair value at

ed cost or financial instruments at cost.

re a quoted market price in an active

a Statement of Financial Position or in

ion in terms of GRAP 104
rtised cost
rtised cost
rtised cost

deposits). Cash equivalents are short-eld with registered banking institutions in value. For the purposes of the cash with banks, net of bank overdrafts. The amortised cost.

nother entity.

.ITY

STATEMENTS

g how they are measured. Financial

e Statement of Financial Position or in

ion in terms of GRAP 104
ortised cost
ortised cost
ortised cost

eld for trading (i.e. purchased with the
ts or are part of a portfolio of financial
ves).

drafts are expensed as incurred.

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STATEMENTS

*sts that are directly attributable to the
at amortised cost using the Effective*

*erating lease receivables), loans to
oted in an active market are classified*

stly attributable transaction costs. They
y in the Statement of Financial

or loss recognised in the Statement of

ans and borrowings are classified as
d other payables, interest bearing debt
sequently measured at amortised cost
of Financial Performance by applying

and and overdrafts are recorded at the
d to the carrying amount of the bank

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STATEMENTS

mpairment at the end of each reporting
ent of Financial Assets (such as the
n evidence the recoverable amount is

S.

ntly carried at amortised cost using the
default experience of all outstanding
recoverable. Amounts receivable within

evidence that the Municipality will not
provision is made in accordance with
nd then collectively after grouping the
ovision is the difference between the
s, discounted at the original effective
ed for impairment are estimated on the
in the group. Cash flows relating to

all financial assets carried at amortised
ugh the use of an allowance account.
e account. Subsequent recoveries of
amount of the allowance account are

.ITY

STATEMENTS

ment in a residual interest that is not
of the impairment loss is measured as
value of estimated future cash flows
nt losses shall not be reversed.

cash flows from the asset expire or it
e asset to another entity, except when

ownership and continues to control the
associated liability for amounts it may
ip of a transferred financial asset, the
l borrowing for the proceeds received.

obligations are discharged, cancelled

liability (or part of a financial liability)
on-cash assets transferred or liabilities

resources that have been transferred

recognised as an asset, is subject to
or service potential of the asset as
future economic benefits or service
attached to the grants, transfers or
re recognised as revenue when the

.ITY

STATEMENTS

ources which include grants from other
venue is recognised when it is probable
e benefits can be measured reliably,

of goods and services in the ordinary
ebates and discounts.

ed, it is probable that future economic
ch of the municipalities' activities as
il all contingencies relating to the sale
o consideration the type of customer,
idered are recognised by reference to

irectly in return for services rendered /

received revenue from another entity
ge transactions is generally recognised
there is no liability to repay the

.ITY

STATEMENTS

on the time proportionate basis that

al Performance:

utilised conditional grants, if the grant

on the relevant service is rendered by

over the term of the lease agreement.

asset shall be recognised as an asset
if the asset will flow to the Municipality
as revenue, except to the extent that a

of a liability will be recognised as a
obligation and a reliable estimate of

time-based restrictions exist.

.ITY

STATEMENTS

» Municipality has complied with any of
nt contains a stipulation to return the
ce to these stipulations and would be
ons or obligations have not been met.
that the transferor has never enforced
ervice potential when breaches have

r incurred or for the purpose of giving
gnised in the Statement of Financial

t or where the contribution is to

xpenditure

re is based on legislated procedures,
and is recognised when the recovery

· constructive obligation as a result of
or service potential will be required to

nt that an entity would rationally pay to
are determined by the judgment of the
ome cases, reports from independent
after the reporting date. Uncertainties
according to the circumstances, Where
ted by weighting all possible

.ITY

STATEMENTS

the amount of a provision where there
f assets are not taken into account in
present obligation under an onerous
ct in which the unavoidable costs of
be received under it. The unavoidable
lower of the cost of fulfilling it and any
om the contract is the amount of the

alue of the expenditure expected to be
s are determined by discounting the
of money. The impact of the periodic
ance cost as it occurs.

the services are rendered, except for

ng the period in which the employee
e days at year end and is shown as a
ed cost of performance bonuses only
t and a reliable estimate can be made.

was both defined benefit and defined

into a separate entity. The Municipality
l sufficient assets to pay all employees

is of the rules governing those plans.
which the service is rendered by the
contributions have been paid. The
ntributions are recognised as an asset

.ITY

STATEMENTS

on plan.

ertain of its retirees. According to the
(who is on the current Conditions of
und, in which case the Municipality is

obligation and unrecognised actuarial
ie present value of the defined benefit
umptions and a discount rate based on
pendent qualified actuaries.

ce.

.

of its retirees. Pension contributions in
xpense when incurred. Staff provident
art of the various pension funds. The

ITY

STATEMENTS

is is the present value of the defined
her with adjustments for unrecognised
ctuaries using the projected unit credit
ng the estimated future cash outflows
in which the benefits will be paid, and

ce.

ociated with ownership of an asset are

wards of ownership are retained by the

ngible assets subject to finance lease
wer, the present value of the minimum
ies are included in the Statement of
recognised at the inception of the lease
agreement, discounted for the effect of
exactly discounts the lease payments
urred. Lease payments are allocated
method. Lease finance costs are

» with the stated accounting policies
e lease payments, which are allocated
rate method. Lease finance costs are
ial instruments are applied to lease
ase term.

nancial Performance on a straight-line
ed as an expense and the contractual

ITY

STATEMENTS

ives are recognised as a liability. The
aight-line basis, except where another
n the leased asset are consumed.

orded as receivables at the amount of
is allocated to accounting periods so
ding in respect of the leases or

relevant lease.

ient is or contains a lease. A specific
f that specified asset. An arrangement
ht to control the use of the underlying
es payments and other consideration
n the basis of their relative fair values.
yments reliably, an asset and a liability
ly the liability is reduced as payments
tv's incremental borrowing rate

ITY

STATEMENTS

acquisition, construction or production of
for capitalisation is on or after 1 July
ying assets where the commencement
atement of Financial Performance in
nds generally and uses them for the
/ing costs eligible for capitalisation by
shall be the weighted average of the
e period, other than borrowings made
that an entity capitalises during a

s necessary to prepare the qualifying
| asset is completed in parts and each
all cease capitalising borrowing costs

overnment from time to time. When

or sale transaction;

n the period that the events giving rise

re with Section 15(2)(a) of the Value-

s not in terms of the conditions of an
expenditure in the form of a grant that
All expenditure relating to unauthorised
in the year that the expenditure was
d where recovered, it is subsequently

ITY

STATEMENTS

ement Act (Act No 56 of 2003), the
) of 1998) or is in contravention of the
re excludes unauthorised expenditure.
ormance in the period it occurred and
al Performance.

re been avoided had reasonable care
ed as an expense in the Statement of
lassified in accordance with the nature
statement of Financial Performance.

spectively in accordance with GRAP 3
effects or the cumulative effect of the
ssets, liabilities and net assets for the
ils of changes in accounting policies.

3 requirements. Details of changes in

ccurred in accordance with GRAP 3
effects or the cumulative effect of the
ilities and net assets for the earliest
ial Financial Statements for details of

one party has the ability, directly or
er the other party in making financial
es the councillors, Executive Mayor,
gers reporting directly to the Municipal

ccounted for in the Annual Financial
nts after the reporting date have been

exchange rates at the dates of the

ITY

STATEMENTS

retranslated to the functional currency the difference between amortised cost xative interest and payments during the nd of the reporting period.

ed at fair value are retranslated to the foreign currency differences arising on

translated using the exchange rate at

plying, to the foreign currency amount, .

s amended, prior period comparative

and are consistent with the accounting amounts are scheduled as a separate ial amounts. Explanatory comment is l growth or decline in the budget and es included in the financial statements r associates. These figures are those sultation with the public as part of the ification. The approved budget covers

se existence will be confirmed only by the control of the entity.

events but which is not recognised as omic benefits will be required to settle .

xistence will be confirmed only by an e control of the entity.

.....

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STATEMENTS

ents to whom resources are made

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STATEMENTS

sactions that will normally result in the

ility but are included in the disclosure

the contract has been awarded at the

roved and the contract has yet to be

sactions that will normally result in the

not yet been received are disclosed in

cant cost contracts should relate to

omic benefits or service potential will
specifically stated otherwise. In-kind
or receivable.

ceived.

entity) and a private sector institution
onstruction, technical and operational
a private party that supplies an asset
ty provides a service to the public on
n return, the private party is rewarded
to specification. charges to users of

' agreements - one where the private
private party acquires the use of state
of these.

fers) (GRAP 23) states that control of
of its objectives, and can exclude or
y to exclude or regulate the access of
entity's assets from those public goods

er it controls the use of the underlying

.ITY

STATEMENTS

with the associated asset, to whom it
any significant residual interest in the

ns of PPP agreements. These assets
e functions (institutional function).

he private party with an existing asset,
of time. If the PPP agreement requires
cial statements if both the control

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE

1. GENERAL INFORMATION

Pixley-ka-Seme District Municipality (the Municipality) is a local government institution registered office and principal place of business are disclosed under "General Information" in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2017

Other Receivables
Property Rental Debtors
Shared Services
Sundry Debtors

Total Receivables from Exchange Transactions

As at 30 June 2016

Other Receivables
Property Rental Debtors
Shared Services
Sundry Debtors

Total Receivables from Exchange Transactions

Other Receivables include outstanding debtors for various other services, e.g. Shared Aid Receivables and Property Rental.

The average credit period for Receivables is 30 days. No interest is charged for outstanding Receivables. The Municipality strictly enforces its approved credit control policy to ensure the recovery of

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables represents their fair values.

2.1 Ageing of Receivables from Exchange Transactions

PIXLEY-KA-SEME DISTRICT MUI

NOTES TO THE FINANCIAL STATEMENTS FOR THE

As at 30 June 2017

Current	
0 - 30 days	31 - 60 Days

Property Rental Debtors:

Gross Balances
Less: Provision for Impairment

541	-
-	-
541	-

Net Balances

Shared Services:

Gross Balances
Less: Provision for Impairment

2 184 284	-
-	-
2 184 284	-

Net Balances

Sundry Debtors:

Gross Balances
Less: Provision for Impairment

9 013	-
-	-
9 013	-

Net Balances

PIXLEY-KA-SEME DISTRICT MUI

NOTES TO THE FINANCIAL STATEMENTS FOR THE

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

As at 30 June Receivables of R27 309 were past due but not impaired. The age Receivables are as follows:

		31 - 60 Days
All Receivables:		
Gross Balances		-
Less: Provision for Impairment		-
Net Balances		-

As at 30 June 2016

	Current 0 - 30 days	31 - 60 Days
Property Rental Debtors:		
Gross Balances	-	-
Less: Provision for Impairment	-	-
Net Balances	-	-

Shared Services:

Gross Balances	1 486 327	62 015
Less: Provision for Impairment	-	-
Net Balances	1 486 327	62 015

Sundry Debtors:

Gross Balances	103 332	85
Less: Provision for Impairment	-	-
Net Balances	103 332	85

As at 30 June Receivables of R64 608 were past due but not impaired. The age Receivables are as follows:

		31 - 60 Days
All Receivables:		
Gross Balances		62 100
Less: Provision for Impairment		-

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Net Balances

62 100

2.2 Reconciliation of Provision for Impairment

Balance at beginning of year

Impairment Losses recognised

Amounts written off as uncollectable

Balance at end of year

The Provision for Impairment was calculated after grouping all the financial assets of risk ratings and assessing the recoverability.

In determining the recoverability of the Receivables from Exchange Transactions considers any change in the credit quality of the Debtor from the date credit was initially reporting date. The concentration of credit risk is limited due to the customer base unrelated. Accordingly, the management believe that there is no further credit provision

2.3 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. VAT RECEIVABLE (PAYABLE)

VAT Receivable (Payable)

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payment is payable according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

4. CASH AND CASH EQUIVALENTS

Current Investments

Bank Accounts

Bank Overdraft

Total Bank, Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, less outstanding Bank Overdrafts.

4.1 Current Investment Deposits

Term Deposits

Call Deposits

Total Current Investment Deposits

Call Deposits are investments with a maturity period of less than 3 months and interest rates varying from 5.10% to 5.75% (2016: 5.10% to 5.75%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and interest rates varying from 5.54% to 5.68% (2016: 5.54% to 5.68%) per annum.

Deposits attributable to Unspent Conditional Grants

Total Deposits attributable to Commitments of the Municipality

Deposits of R2 381 101 (2016: R452 543) are ring-fenced and attributable to Unspent Conditional Grants

4.2 Bank Accounts

Cash in Bank

Bank Overdraft

Total Bank Accounts

PIXLEY-KA-SEME DISTRICT MUI

NOTES TO THE FINANCIAL STATEMENTS FOR THE

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0197

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

Term Deposits

ABSA Bank Limited - De Aar Branch - Term Deposit Number 605 438 4570

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

PIXLEY-KA-SEME DISTRICT MUI

NOTES TO THE FINANCIAL STATEMENTS FOR THE

4. CASH AND CASH EQUIVALENTS (continued)

Call Deposits

ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 463 4894

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 355 2505

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 538 6731

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 638 8425

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 498 2487

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

ABSA Bank Limited - De Aar Branch - Call Deposit Number 930 121 9733

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

PIXLEY-KA-SEME DISTRICT MUI

NOTES TO THE FINANCIAL STATEMENTS FOR THE

ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 624 8065

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

Standard Bank of South Africa - De Aar Branch - Call Deposit Number 082 929 963

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

ABSA Bank Limited - De Aar Branch - Call Deposit Number 929 8348 243

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE

4. CASH AND CASH EQUIVALENTS (continued)

4.3 Cash and Cash Equivalents

Cash Floats and Advances

Total Cash on hand in Cash Floats, Advances and Equivalents

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its

No restrictions have been imposed on the Municipality in terms of the utilisation of its Ca

The management of the Municipality is of the opinion that the carrying value of C Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Statements approximate their fair values.

5. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement respect of Non-cancellable Operating Leases the following assets have been recognised

Balance at beginning of year

Operating Lease Revenue recorded

Operating Lease Revenue effected

Total Operating Lease Receivables

Less: Amounts due for settlement within 12 months (Current Portion)

Total Operating Lease Receivables

5.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the Municipality with lease terms of betw 2 to 5) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the le option to renew. The lessee does not have an option to purchase the property at the exp

5.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable unde Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year

PIXLEY-KA-SEME DISTRICT MUI NOTES TO THE FINANCIAL STATEMENTS FOR THE

2 to 5 years

More than 5 years

Total Operating Lease Arrangements

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease term has been an increase of R2 951 (2016: increase of R14 209) in current year income.

The following payments have been recognised for Rental Income and Repairs and Maintenance in the Statement of Financial Performance:

Rental Income

Repairs and Maintenance

The following restrictions have been imposed by the municipality in terms of the lease agreement:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

NICIPALITY

YEAR ENDED 30 JUNE 2017

2017
R

2016
R

in De Aar, Northern Cape Province. The addresses of its
ion" included in the Annual Financial Statements and in the
ed in the Annual Report and are prescribed by the Municipal

Gross Balances R	Provision for Impairment R	Net Balances R
2 221 147	-	2 221 147
541	-	541
2 184 284	-	2 184 284
36 322	-	36 322
2 221 147	-	2 221 147
Gross Balances R	Provision for Impairment R	Net Balances R
3 221 831	(1 567 564)	1 654 267
-	-	-
2 939 467	(1 391 125)	1 548 342
282 364	(176 439)	105 925
3 221 831	(1 567 564)	1 654 267

Services, Medical

nding debtors. The
Receivables.

abilities.

ables approximate

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

2017
R

2016
R

Past Due		Total
61 - 90 Days	+ 90 Days	

-	-	541
-	-	-
-	-	541

-	-	2 184 284
-	-	-
-	-	2 184 284

-	27 309	36 322
-	-	-
-	27 309	36 322

NICIPALITY

YEAR ENDED 30 JUNE 2017

2017
R

2016
R

analysis of these

Past Due		Total
61 - 90 Days	+ 90 Days	
-	27 309	27 309
-	-	-
-	27 309	27 309

Past Due		Total
61 - 90 Days	+ 90 Days	
-	-	-
-	-	-
-	-	-

-	1 391 125	2 939 467
-	(1 391 125)	(1 391 125)
-	-	1 548 342

85	178 862	282 364
-	(176 439)	(176 439)
85	2 423	105 925

analysis of these

Past Due		Total
61 - 90 Days	+ 90 Days	
85	1 569 987	1 632 172
-	(1 567 564)	(1 567 564)

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
	<u>85</u>	<u>2 423</u>
		<u>64 608</u>
	(1 567 565)	(1 427 690)
	-	(446 125)
	1 567 565	306 250
	<u>-</u>	<u>(1 567 565)</u>

similar nature and

the Municipality
/ granted up to the
being large and
required in

NICIPALITY

YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
	(175 895)	(1 429 641)
is paid over to		
yments is charged		
ure that payments		
	1 855 745	452 543
	1 330 209	97 665
	-	-
	3 185 954	550 208
it, Cash and Cash		
nstruments, net of		
	-	43 152
	1 855 745	409 391
	1 855 745	452 543
earn interest rates		
earn interest rates		
	-	-
	-	-
onditional Grants.		
	1 330 209	97 665
	-	-
	1 330 209	97 665

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

2017	2016
R	R
97 665	248 085
<u>1 330 209</u>	<u>97 665</u>
97 665	248 319
<u>1 330 209</u>	<u>97 665</u>
43 152	41 708
<u>-</u>	<u>43 152</u>
43 152	41 708
<u>-</u>	<u>43 152</u>

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

2017 R	2016 R
5 376	6 545
5 351	5 376
<u>5 376</u>	<u>5 376</u>
5 376	6 545
5 351	5 376
<u>5 376</u>	<u>5 376</u>
389 502	1 851
1 419 373	389 502
<u>389 502</u>	<u>389 502</u>
389 502	1 851
1 419 373	389 502
<u>389 502</u>	<u>389 502</u>
-	1 055
-	-
<u>-</u>	<u>-</u>
-	1 055
-	-
<u>-</u>	<u>-</u>
-	1 034
-	-
<u>-</u>	<u>-</u>
-	1 034
-	-
<u>-</u>	<u>-</u>
8 292	220 302
-	8 292
<u>8 292</u>	<u>8 292</u>
8 292	220 302
-	8 292
<u>8 292</u>	<u>8 292</u>
1 004	1 053
-	1 004
<u>1 004</u>	<u>1 004</u>
1 004	1 053
-	1 004
<u>1 004</u>	<u>1 004</u>

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

2017 R	2016 R
1 808	1 961
2 303	1 808
<u>1 808</u>	<u>1 961</u>
<u>2 303</u>	<u>1 808</u>
-	-
-	-
<u>-</u>	<u>-</u>
-	-
-	-
<u>-</u>	<u>-</u>
3 408	1 207
428 718	3 408
<u>3 408</u>	<u>1 207</u>
<u>428 718</u>	<u>3 408</u>

MUNICIPALITY

YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
	-	-
	-	-
Financial		
Cash and Cash		
Current Investment		
Annual Financial		
of GRAP 13. In		
d:		
	14 209	-
	2 951	14 209
	-	-
	17 161	14 209
	(5 397)	(4 346)
	11 764	9 863

Between 2 to 5 (2016:

Exercise its
of the lease

or Non-cancellable

5 397

4 346

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R
	11 764	9 863
	-	-
	<u>17 161</u>	<u>14 209</u>

over the term of the
 lease.

Maintenance Expense

100 413	111 234
-	-

agreements:
 value of the premises
 at all reasonable

rent.

PIXLEY-KA-SEM
NOTES TO THE FINANCIAL STATE

6. PROPERTY, PLANT AND EQUIPMENT

30 June 2017

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment
	R	R
Carrying values at 1 July 2016	8 439 408	382 632
Cost	15 098 960	1 144 577
- Completed Assets	15 098 960	1 144 577
- Under Construction	-	-
Accumulated Impairment Losses	-	(872)
Accumulated Depreciation	(6 659 552)	(761 073)
Acquisitions	-	7 744
Donated Assets	-	9 302
Depreciation	(913 295)	(95 182)
Carrying value of Disposals	-	(585)
- Cost	-	(3 222)
- Accumulated Impairment Losses	-	-
- Accumulated Depreciation	-	2 637
Impairment Losses	-	-
Carrying values at 30 June 2017	7 526 113	303 910
Cost	15 098 960	1 158 401
- Completed Assets	15 098 960	1 158 401
- Under Construction	-	-
Accumulated Impairment Losses	-	(872)
Accumulated Depreciation:	(7 572 847)	(853 619)

30 June 2016

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment
	R	R
Carrying values at 1 July 2015	9 397 303	303 763
Cost	15 219 160	981 315
- Completed Assets	15 219 160	981 315
- Under Construction	-	-

PIXLEY-KA-SEM
NOTES TO THE FINANCIAL STATE

Accumulated Impairment Losses	-	(872)
Accumulated Depreciation	(5 821 857)	(676 680)
Acquisitions	-	163 262
Depreciation	(916 425)	(84 393)
Carrying value of Disposals	(41 470)	-
- Cost	(120 200)	-
- Accumulated Impairment Losses	-	-
- Accumulated Depreciation	78 730	-
Impairment Losses	-	-
Carrying values at 30 June 2016	8 439 408	382 632
Cost	15 098 960	1 144 577
- <i>Completed Assets</i>	15 098 960	1 144 577
- <i>Under Construction</i>	-	-
Accumulated Impairment Losses	-	(872)
Accumulated Depreciation:	(6 659 552)	(761 073)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment

E DISTRICT MUNICIPALITY
EMENTS FOR THE YEAR ENDED 30 JUNE 2017

Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
R	R	R	R	R
442 830	249 060	1 884 340	385 715	11 783 984
1 901 183	1 053 497	2 388 548	1 894 010	23 480 775
1 901 183	1 053 497	2 388 548	1 894 010	23 480 775
-	-	-	-	-
(3)	(2 843)	-	-	(3 718)
(1 458 350)	(801 594)	(504 208)	(1 508 295)	(11 693 073)
-	-	-	2 286 700	2 294 444
-	-	-	-	9 302
(68 526)	(49 299)	(116 808)	(614 272)	(1 857 383)
-	(3 643)	(90 926)	(276 623)	(371 777)
-	(28 699)	(200 000)	(1 536 184)	(1 768 104)
-	-	-	-	-
-	25 055	109 074	1 259 561	1 396 327
-	-	-	-	-
374 304	196 118	1 676 605	1 781 520	11 858 570
1 901 183	1 024 798	2 188 548	2 644 526	24 016 417
1 901 183	1 024 798	2 188 548	2 644 526	24 016 417
-	-	-	-	-
(3)	(2 843)	-	-	(3 718)
(1 526 876)	(825 838)	(511 943)	(863 006)	(12 154 128)

Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
R	R	R	R	R
525 759	235 254	1 031 706	1 167 000	12 660 785
1 899 429	983 864	1 517 956	1 894 010	22 495 734
1 899 429	983 864	1 517 956	1 894 010	22 495 734
-	-	-	-	-

E DISTRICT MUNICIPALITY
EMENTS FOR THE YEAR ENDED 30 JUNE 2017

(3) (1 373 667)	(2 843) (745 767)	- (486 250)	- (727 010)	(3 718) (9 831 231)
1 754 (84 683)	69 633 (55 827)	870 592 (17 959)	- (781 285)	1 105 241 (1 940 572)
-	-	-	-	(41 470)
-	-	-	-	(120 200)
-	-	-	-	-
-	-	-	-	78 730
-	-	-	-	-
442 830	249 060	1 884 340	385 715	11 783 984
1 901 183	1 053 497	2 388 548	1 894 010	23 480 775
1 901 183	1 053 497	2 388 548	1 894 010	23 480 775
-	-	-	-	-
(3) (1 458 350)	(2 843) (801 594)	- (504 208)	- (1 508 295)	(3 718) (11 693 073)

ment, including those in the course of construction.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
6. PROPERTY, PLANT AND EQUIPMENT (continued)		
6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the		
6.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial		
6.3 Assets pledged as security		
The Municipality's obligations under Finance Leases (see Note 12) are secured by the lessors' title to the leased assets. No other assets of the Municipality have been pledged as security.		
6.4 Impairment of Property, Plant and Equipment		
No impairment losses have been recognised on Property, Plant and Equipment of the Municipality at the reporting date.		
6.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned asset categories for the financial year:		
Other Assets	(157 144)	(214 510)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(157 144)	(214 510)
The change in estimates will result in a decrease of R157 144 (2016: R214 510) in the Depreciation Expense for the Municipality over the next three financial years.		
6.6 Land and Buildings carried at Fair Value		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
7. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation	9 306	14 475
The movement in Intangible Assets is reconciled as follows:		
Carrying values at 1 July	14 475	37 374
Cost	397 692	397 692
Accumulated Amortisation	(383 217)	(360 318)
Acquisitions	-	-
Amortisation	(5 169)	(22 899)
Disposals	-	-
Carrying values at 30 June	9 306	14 475
Cost	397 692	397 692
Accumulated Amortisation	(388 386)	(383 217)
The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 22).		
All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
No restrictions apply to any of the Intangible Assets of the Municipality.		
Refer to Appendix "B" for more detail on Intangible Assets.		
7.1 Intangible Assets with Indefinite Useful Lives		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

7. INTANGIBLE ASSETS (continued)

7.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

8. INVESTMENT PROPERTY

At Fair Value

1 210 000

860 000

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

860 000

1 953 700

Fair Value

860 000

1 953 700

Accumulated Impairment Losses

-

-

Acquisitions during the Year

-

-

Net Gains / (Losses) from Fair Value Adjustments

350 000

-

Impairment Losses during the Year

-

-

Disposals during the Year:

-

(1 093 700)

At Fair Value

-

(1 093 700)

At Accumulated Impairment

-

-

Carrying values at 30 June

1 210 000

860 000

Fair Value

1 210 000

860 000

Accumulated Impairment

-

-

Estimated Fair Value of Investment Property at 30 June

1 210 000

860 000

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

100 105

142 046

Direct Operating Expenses - incurred to generate rental revenue

-

-

Direct Operating Expenses - incurred which did not generate rental revenue

-

-

All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

8.1 Investment Property carried at Fair Value

The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:

Discount Rate

11.50%

7.80%

Other

8.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the Municipality at the reporting

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
9. CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES		
Current Portion of Ex-Gratia Benefit Liability (See Note 13)	20 160	23 400
Current Portion of Post-retirement Health Care Benefits Liability (See Note 13)	1 104 569	1 157 004
Total Current Portion of Employee Benefit Liabilities	1 124 729	1 180 404

The movement in provisions are reconciled as follows:

Current Portion of Employee Benefit Liabilities	Ex-Gratia R	Post-retirement R
2017		
Balance at beginning of year	23 400	1 157 004
Contributions to provision	(3 240)	(52 435)
Expenditure incurred	-	-
Balance at end of year	20 160	1 104 569
2016		
Balance at beginning of year	23 400	1 062 984
Contributions to provision	-	94 020
Expenditure incurred	-	-
Balance at end of year	23 400	1 157 004

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	1 093 285	879 002
Payments received in Advance	24 158	68 273
Performance Bonuses	891 684	623 812
Staff Bonuses	832 073	751 093
Advances from Road Department	240 750	240 750
Other Creditors	3 148 920	1 381 776
Accrued Leave	1 696 298	1 501 996
Settlement	119 242	-
Total Payables	8 046 410	5 446 702

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional Grants from Government	2 381 101	1 580 591
National Government Grants	427 258	-
Provincial Government Grants	1 953 843	1 275 029
Local Government Grants	-	305 562
11.2 Other Conditional Receipts	-	-
Public Contributions	-	-
Total Conditional Grants and Receipts	2 381 101	1 580 591

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

See Note 15 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

12. LONG-TERM LIABILITIES

Annuity Loans	1 558 460	1 262 494
Finance Lease Liabilities	2 584 477	1 354 889
Sub-total	4 142 937	2 617 383
Less: Current Portion transferred to Current Liabilities	(1 322 443)	(1 512 479)
Annuity Loans	(1 032 941)	(658 832)
Finance Lease Liabilities	(289 502)	(853 647)
Total Long-term Liabilities (Neither past due, nor impaired)	2 820 494	1 104 904

12.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2016: 5 to 10) years and at interest rates varying from 9.86% to 9.89% (2016: 9.86% to 9.89%) per annum. Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

12.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2016: 3 years). The effective interest rate on Finance Leases is between 2.16% and 7.93% (2016: 1.48% and

The Municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2017 R	2016 R	2017 R	2016 R
The obligations under Finance Leases are as follows:				
Amounts payable under finance leases:				
Within one year	1 394 984	1 334 667	289 502	853 647
In the second to fifth years, inclusive	4 198 112	285 847	2 294 975	258 288
	5 593 096	1 620 514	2 584 477	1 111 935
Less: Future Finance Obligations	(3 008 619)	(508 580)	-	-
Present Value of Minimum Lease Obligations	2 584 477	1 111 934	2 584 477	1 111 935
Less: Amounts due for settlement within 12 months (Current Portion)			(289 502)	(853 647)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			2 294 975	258 288

The Municipality has finance lease agreements for the following significant classes of assets:

- IT equipment

Included in these classes are the following significant leases:

(i) IT Equipment	R 2 584 477	R 1 111 934
- Installments are payable quarterly in advance		
- Average period outstanding	1 month	1 month

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
- Average effective interest rate	40.59%	4.81%
- Average monthly installment	R 86 500	R 116 890

12.3 Breach of Loan Agreement

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
13. EMPLOYEE BENEFIT LIABILITIES		
Ex-Gratia Benefit Liability	59 618	69 859
Post-retirement Health Care Benefits Liability	12 913 104	13 548 565
Total Employee Benefit Liabilities	12 972 722	13 618 424
13.1 Ex-Gratia Benefit Liability		
Balance at beginning of Year	93 259	101 730
Increase due to Discounting	6 843	6 575
Expenditure incurred	(23 400)	(23 400)
Actuarial (Gains) /Losses	3 076	8 354
Balance at end of Year	79 778	93 259
Transfer to Current Provisions	(20 160)	(23 400)
Total Post-retirement Health Care Benefits Liability	59 618	69 859
<p>The Municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the Municipality. According to the rules of the Pension Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such pension fund on retirement, in which case the Municipality is liable for a certain portion of the pension fund membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p>The members of the Ex-Gratia Benefit Plan are made up as follows:</p>		
Continuation Members (Retirees, widowers and orphans)	3	4
Total Members	3	4
<p>The liability in respect of past service has been estimated as follows:</p>		
Continuation Members (Retirees, widowers and orphans)	79 778	93 259
Total Liability	79 778	93 259
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.48%	8.37%
Health Care Cost Inflation Rate	0.00%	0.00%
Net Effective Discount Rate	0	8.37%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	93 259	101 730
Interest cost	6 843	6 575
Benefits paid	(23 400)	(23 400)
Actuarial losses / (gains)	3 076	8 354
Total Recognised Benefit Liability	79 778	93 259
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	79 778	93 259
Total Benefit Liability	79 778	93 259
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	6 843	6 575
Expenditure incurred	(23 400)	(23 400)
Actuarial losses / (gains)	3 076	8 354

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	<u><u>(13 481)</u></u>	<u><u>(8 471)</u></u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
13. EMPLOYEE BENEFIT LIABILITIES (continued)		
The history of experienced adjustments is as follows:		
	2017 R	2016 R
Present Value of Defined Benefit Obligation	79 778	93 259
Deficit	79 778	93 259
Experienced adjustments on Plan Liabilities	79 778	93 259
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	7 411	7 214
Effect on the defined benefit obligation	77 406	90 560
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	6 235	5 886
Effect on the defined benefit obligation	82 305	96 130
Refer to Note 42 Multi-employer Retirement Benefit Information to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered		
13.2 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	14 705 569	14 655 101
Contributions to Provision	357 443	373 682
Increase due to Discounting	1 290 784	1 176 744
Expenditure incurred	(1 059 227)	(1 108 125)
Actuarial (Gains) /Losses	(1 276 896)	(391 833)
Balance at end of Year	14 017 673	14 705 569
Transfer to Current Provisions	(1 104 569)	(1 157 004)
Total Long Service Awards Liability	12 913 104	13 548 565
The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	28	27
Continuation Members (Retirees, widowers and orphans)	28	30
Total Members	56	57
The liability in respect of past service has been estimated as follows:		
In-service Members	4 452 290	4 125 960
Continuation Members	9 565 384	10 579 610
Total Liability	14 017 674	14 705 570
The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Hosmed		
- Keyhealth		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R
- LA Health		
- Samwumed		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R		
13. EMPLOYEE BENEFIT LIABILITIES (continued)				
The Current-service Cost for the year ending 30 June 2017 is estimated to be R357,443, whereas the cost for the ensuing year is estimated to be R396,239 (2016: R373 682 and R357 443 respectively).				
The principal assumptions used for the purposes of the actuarial valuations were as follows:				
Discount Rate	8.81%	9.13%		
Health Care Cost Inflation Rate	7.20%	8.27%		
Net Effective Discount Rate	1.50%	0.80%		
Expected Retirement Age - Females	58	58		
Expected Retirement Age - Males	58	58		
Movements in the present value of the Defined Benefit Obligation were as follows:				
Balance at the beginning of the year	14 705 569	14 655 101		
Current service costs	357 443	373 682		
Interest cost	1 290 784	1 176 744		
Benefits paid	(1 059 227)	(1 108 125)		
Actuarial losses / (gains)	(1 276 896)	(391 833)		
Total Recognised Benefit Liability	14 017 673	14 705 569		
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	14 017 673	14 705 569		
Total Benefit Liability	14 017 673	14 705 569		
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service cost	357 443	373 682		
Interest cost	1 290 784	1 176 744		
Benefits paid	(1 059 227)	(1 108 125)		
Actuarial losses / (gains)	(1 276 896)	(391 833)		
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	(687 896)	50 468		
The history of experienced adjustments is as follows:				
	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	14 017 673	14 705 569	14 655 101	15 584 738
Deficit	14 017 673	14 705 569	15 584 738	16 114 922
Experienced adjustments on Plan Liabilities	15 196 793	15 142 544	16 211 251	16 540 584
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:				
Increase:				
Effect on the aggregate of the current service cost and the interest cost			1 892 900	1 782 100
Effect on the defined benefit obligation			15 632 000	16 368 000
Decrease:				
Effect on the aggregate of the current service cost and the interest cost			1 450 200	1 362 600
Effect on the defined benefit obligation			12 668 000	13 315 000
The Municipality expects to make a contribution of R1 104 569 (2016: R1 157 004) to the Defined Benefit Plans during the next financial year.				

14. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	(10 341 660)	(10 996 004)
Total Accumulated Surplus	(10 341 660)	(10 996 004)

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
15. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	35 824 000	35 320 000
Provincial: Health Subsidy	91 719	492 748
Operational Grants	<u>35 915 719</u>	<u>35 812 748</u>
Conditional Grants	13 599 734	10 706 793
National: EPWP	576 512	997 276
National: FMG	1 250 000	1 250 000
National: MSIG	-	930 000
Provincial: Roads	857 965	818 013
Provincial: Shared Services	3 464 000	-
Provincial: COGHSTA (Housing Accreditation)	1 620 000	1 000 000
Provincial: Project Hopetwon	1 026 798	-
Provincial: DPSA Grant	186 920	-
Provincial: NEAR	350 000	349 042
Provincial: Cleaning Project	262 671	2 737 329
Provincial: Renosterberg Valuations	1 000 000	-
Provincial: RAMS Grant	3 004 867	2 625 133
Other Spheres of Government: Various Grants	-	-
Total Government Grants and Subsidies	<u><u>49 515 453</u></u>	<u><u>46 519 541</u></u>
Government Grants and Subsidies:		
Conditional Grants - Capital	-	-
Conditional Grants - Operational	10 979 735	6 969 464
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	37 535 719	36 812 748
Total Government Grants and Subsidies	<u><u>48 515 454</u></u>	<u><u>43 782 212</u></u>
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	48 515 454	43 782 212
Conditions met - transferred to Revenue: Capital Expenses	-	-
Total Transfers	<u><u>48 515 454</u></u>	<u><u>43 782 212</u></u>
Operational Grants:		
15.1 National: Equitable Share	<u><u>35 824 000</u></u>	<u><u>35 320 000</u></u>
The Municipality's Equitable Share allocation of the Local Government Sphere's share of revenue raised nationally. No funds were withheld.		
15.2 Provincial: COGHSTA (Housing Accreditation)		
Balance unspent at beginning of year	-	-
Current year receipts	1 620 000	1 000 000
Conditions met - transferred to Operating Revenue	(1 620 000)	(1 000 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>
This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.		
Conditional Grants:		
15.3 Provincial: Health Subsidy		
Balance unspent at beginning of year	7 252	-
Current year receipts	250 000	500 000
Conditions met - transferred to Operating Revenue	(91 719)	(492 748)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>165 533</u></u>	<u><u>7 252</u></u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017	2016
R	R

To promote and support HIV Aids programmes within the Municipal area. No funds were withheld.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
15. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
15.4 National: Expanded Public Works Programme		
Balance unspent at beginning of year	3 772	1 048
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Operating Revenue	(576 513)	(997 276)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>427 259</u>	<u>3 772</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.

15.5 National: Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Operating Revenue	(1 250 000)	(1 250 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

15.6 Provincial: Shared Services

Balance unspent at beginning of year	-	-
Current year receipts	3 464 000	-
Conditions met - transferred to Operating Revenue	(3 464 000)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

Provincial provided the Municipality with this grant in order to fund its Shared Service activities at the local municipalities. All conditions attached to the grant were met. No funds have been withheld.

15.7 National: Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	-	930 000
Conditions met - transferred to Operating Revenue	-	(930 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

15.8 Provincial: Department of Roads

Balance unspent at beginning of year	-	(197 474)
Current year receipts	857 965	1 015 487
Conditions met - transferred to Operating Revenue	(857 965)	(818 013)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current assets (see Note 2)	<u>-</u>	<u>-</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

The Roads Grant was allocated for the payment of the medical aid ex gratia for personnel that is and has been on pension. No funds have been withheld.

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.9 Provincial: Project Hopetown

Balance unspent at beginning of year	-	-
Current year receipts	1 492 000	-
Conditions met - transferred to Operating Revenue	(1 026 798)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>465 202</u></u>	<u><u>-</u></u>

This grant was allocated to the Municipality for a cleaning project. All conditions attached to the grant were met. No funds have been withheld.

15.10 Provincial: DPSA Grant

Balance unspent at beginning of year	-	-
Current year receipts	235 000	-
Conditions met - transferred to Operating Revenue	(186 920)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>48 080</u></u>	<u><u>-</u></u>

The purpose of the DPSA grant is to assist the municipality to comply with the IMSCOA regulations and to upgrade its computer service, in order to run GIS. All conditions attached to the grant were met. No funds have been withheld.

15.11 Provincial: NEAR

Balance unspent at beginning of year	1 274 130	923 172
Current year receipts	350 000	700 000
Conditions met - transferred to Operating Revenue	(350 000)	(349 042)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>1 274 130</u></u>	<u><u>1 274 130</u></u>

This grants is provided for disaster management within the boundries of the district. All conditions attached to the grant were met. No funds have been withheld.

15.12 Provincial: Electrification Programme

Balance unspent at beginning of year	898	898
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>898</u></u>	<u><u>898</u></u>

This grant was allocated to improve and upgrade the electrnity infrastructure and enhance the electricity capacity within the Municipality. All conditions attached to the grant were met. No funds have been withheld.

15.13 Provincial: Cleaning Project

Balance unspent at beginning of year	262 671	-
Current year receipts	-	3 000 000
Conditions met - transferred to Operating Revenue	(262 671)	(2 737 329)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u><u>0</u></u>	<u><u>262 671</u></u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R

This grant was allocated to the Municipality for a cleaning project. All conditions attached to the grant were met. No funds have been withheld.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
15. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
15.14 Provincial: Renosterberg Valuations		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to Operating Revenue	(1 000 000)	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-
	<u>-</u>	<u>-</u>
Funds were provided in order for the Municipality to assist the Renosterberg Local Municipality (local municipality within the district) to perform its general valuation of properties. All conditions attached to the grant were met. No funds have been withheld.		
15.15 Provincial: RAMS Grant		
Balance unspent at beginning of year	31 867	-
Current year receipts	2 973 000	2 657 000
Conditions met - transferred to Operating Revenue	(3 004 867)	(2 625 133)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	31 867
	<u>-</u>	<u>31 867</u>
To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage. All conditions attached to the grant were met. No funds have been withheld.		
16. PUBLIC CONTRIBUTIONS AND DONATIONS		
Other Donations	9 302	-
Total Public Contributions and Donations	<u>9 302</u>	<u>-</u>
17. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Other Facilities	103 056	142 046
Total Rental of Facilities and Equipment	<u>103 056</u>	<u>142 046</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
18. INTEREST EARNED		
External Investments:		
Bank Account	9 945	7 980
Investments	609 702	487 498
	<u>619 647</u>	<u>495 478</u>
Total Interest Received		
Interest - Fixed Deposits	756	115 927
Interest - Notice Deposits	608 946	371 572
Interest - Other	9 945	7 980
Interest - Variable Rate Instruments	<u>619 647</u>	<u>495 479</u>
Total Interest Earned	<u>619 647</u>	<u>495 479</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	619 647	495 479
Loans and Receivables	-	-
	<u>619 647</u>	<u>495 479</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
19. OTHER REVENUE		
Money Various	71 498	38 514
SETA Claims	308 559	3 897
Administration Cost	273 250	332 850
Insurance Claims Received	79 230	29 835
Telephone Deductions	44 040	52 349
Tender Documents	4 000	2 400
Contribution from Municipalities	3 184 408	3 472 875
Total Other Revenue	3 964 985	3 932 720

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 15 to 18, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

20. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	22 073 226	21 168 440
Basic Salaries and Wages	19 565 650	18 933 116
Contribution to Leave Fund	231 492	393 625
Performance Bonuses	617 956	273 729
Service Bonuses	1 658 128	1 567 970
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4 095 028	3 912 806
Medical	660 501	599 978
Pension	3 287 683	3 174 629
Industrial Council Levy	7 503	7 301
UIF	139 341	130 898
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 081 616	1 839 536
Allowances	2 081 616	1 839 536
Pensioners Allowances	-	-
Housing Benefits and Allowances	264 915	256 769
Overtime Payments	385 986	261 460
Defined Benefit Plan Expense:	381 250	1 150 122
Current Service Cost	357 443	373 682
Interest Cost	1 297 627	1 183 319
Net Actuarial (gains)/losses recognised	(1 273 820)	(406 879)
Total Employee Related Costs	29 282 022	28 589 133

No advances were made to employees.

Included in Employee Related Costs is an amount of R3 287 683 (2016: R3 174 629) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	986 700	922 260
Performance Bonus	186 527	87 984
Service Bonus	82 225	76 855
Car and Other Allowances	97 217	103 290
Company Contributions to UIF, Medical and Pension Funds	179 483	167 878
Total	1 532 152	1 358 267

Remuneration of the Chief Financial Officer

Annual Remuneration	880 500	832 200
Performance Bonus	167 874	79 186
Service Bonus	73 375	69 350
Car and Other Allowances	95 750	89 068
Company Contributions to UIF, Medical and Pension Funds	160 367	151 668
Total	1 377 866	1 221 472

Remuneration of the Infrastructure Manager

Annual Remuneration	708 000	634 297
Performance Bonus	131 777	44 399
Service Bonus	59 000	55 450

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
Car and Other Allowances	183 283	225 621
Company Contributions to UIF, Medical and Pension Funds	<u>1 877</u>	<u>1 872</u>
Total	<u>1 083 937</u>	<u>961 639</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
20. EMPLOYEE RELATED COSTS (continued)		
<i>Remuneration of the Chief Audit Executive</i>		
Annual Remuneration	519 268	-
Service Bonus	38 662	-
Car and Other Allowances	100 492	-
Company Contributions to UIF, Medical and Pension Funds	112 077	-
Total	770 499	-

<i>Remuneration of the Planner PIMS</i>		
Annual Remuneration	-	136 423
Service Bonus	-	9 733
Car and Other Allowances	-	16 760
Company Contributions to UIF, Medical and Pension Funds	-	32 004
Total	-	194 920

The post has was vacant from 1 July 2016 to 30 June 2017.

<i>Remuneration of the Chief Corporate Services</i>		
Annual Remuneration	651 600	808 308
Performance Bonus	131 777	62 159
Service Bonus	-	-
Car and Other Allowances	181 395	101 723
Company Contributions to UIF, Medical and Pension Funds	119 165	147 367
Total	1 083 937	1 119 557

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

21. REMUNERATION OF COUNCILLORS

Executive Mayor	815 740	770 012
Speaker	527 383	617 210
Members of Mayoral Committee	1 907 820	1 156 220
Councillors	633 307	1 183 810
Total Councillors' Remuneration	3 884 250	3 727 252

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker, Chief whip and four members of the Executive Committee of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

22. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	1 857 383	1 940 572
Amortisation: Intangible Assets	5 169	22 899
Total Depreciation and Amortisation	1 862 552	1 963 471

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
23. IMPAIRMENT LOSSES		
<i>23.1 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	-	123 327
Receivables from Exchange Transactions	-	123 327
<i>23.2 Bad Debts Written-off</i>		
Bad Debts Written-off:	5 028	-
Receivables from Exchange Transactions	5 028	-
	5 028	-
Total Impairment Losses	5 028	123 327
25. REPAIRS AND MAINTENANCE		
Land and Buildings	29 880	98 215
Other Assets	195 771	142 852
Total Repairs and Maintenance	225 652	241 067
26. FINANCE COSTS		
Bank Overdrafts	2 591	2 884
Current Borrowings	242 592	159 314
Finance Leases	2 127 480	1 019 246
Settlement	77 857	-
Total Interest Paid on External Borrowings	2 450 520	1 181 444
The weighted average capitalisation rate on funds borrowed generally is 5.27% per annum (2016: 5.27% per annum).		
27. CONTRACTED SERVICES		
Other Contracted Services	362 216	239 300
Total Contracted Services	362 216	239 300
28. GRANTS AND SUBSIDIES PAID		
EPWP Renosterberg	-	-
EPWP Projects	486 096	879 659
Renosterberg Valuations	1 000 000	-
Sport Facilities	-	-
District Wide Programs	157 010	572 082
L E D	4 370 816	4 498 281
Total Grants and Subsidies	6 013 922	5 950 022

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
29. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertisements	77 275	87 017
Consulting Cost	1 206 051	467 534
Bank Cost	67 834	66 943
Protective clothing	4 493	31 681
Fire Extinguishers	-	1 100
Training	841 800	353 796
Audit Cost	1 740 178	1 007 705
Printing & Stationary	105 444	88 018
Bursaries	-	15 000
PKS Newslatter	54 759	166 047
Property Tax	37 157	56 110
Electricity and Water	226 869	215 424
Office Expenditure	67 494	58 116
Congress Cost	26 993	10 900
Membership Fees	566 702	607 674
Audit Committee	51 287	70 913
Travel and Subsistance	2 067 619	2 111 226
Fuel and Oil	388 742	494 446
Cellphone & Telephone	345 679	379 975
Entertainment : Councillors	5 870	-
Public Entertainment	83 611	190 332
Postage	3 439	3 316
Legal Cost	30 000	7 149
Strategic Planning	34 969	14 900
Water Samples	263 303	245 687
Fire Fighting Equipment for Municipalities	982	314 624
Insurance General	539 570	342 595
Operating Lease Assets	465 383	129 257
Compensation Commissioner	146 661	151 631
Total General Expenses	9 450 160	7 689 116

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

30. GAINS / (LOSSES) ON DISPOSAL OF INVESTMENT PROPERTY

Proceeds on Sale of Assets	-	417 300
Assets Disposed at Carrying Value:	(371 777)	(1 135 170)
Cost of Disposed Assets	(1 768 104)	(1 213 900)
Accumulated Depreciation of Disposed Assets	1 396 327	78 730
Total Gains / Losses on Disposal of Capital Assets	(371 777)	(717 870)

31. CHANGE IN ACCOUNTING POLICY

No Changes in Accounting Policies occurred during the year.

32. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2016 and 30 June 2017. Details of the adjustments are as follows:

Correction made to Assets

The prior year figures of Assets have been restated to correct errors and correctly classify the nature of Assets of the Municipality.

The effect of the Correction of Error is as follows:

	2016 Published	Errors	Movement Reclassification	Total	2016 Restated
Receivables from Exchange Transactions	167 940	1 486 327	-	1 486 327	1 654 267
VAT Receivable	-	-	-	-	-
Cash and Cash Equivalents	550 207	-	-	-	550 207

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

				2017 R	2016 R
Current Portion of Operating Lease Asset	4 346	-	-	-	4 346
Property, Plant and Equipment	11 712 603	71 382	-	71 382	11 783 985
Intangible Assets	14 475	-	-	-	14 475
Investment Property	860 000	-	-	-	860 000
Operating Lease Asset	9 863	-	-	-	9 863
	<u>13 319 434</u>	<u>1 557 709</u>	<u>-</u>	<u>1 557 709</u>	<u>14 877 143</u>

32. CORRECTION OF ERROR (continued)

Correction made to Liabilities

The prior year figures of Assets have been restated to correct errors and correctly classify the nature of Liabilities of the Municipality.

The effect of the Correction of Error is as follows:

	2016		Movement		2016
	Published	Errors	Reclassification	Total	Restated
Current Portion of Employee Benefit Liabilities	(1 180 404)	-	-	-	(1 180 404)
Payables from Exchange Transactions	(4 822 890)	(623 812)	-	(623 812)	(5 446 702)
Unspent Conditional Grants and Receipts	(1 580 591)	-	-	-	(1 580 591)
VAT Payable	(805 005)	(624 637)	-	(624 637)	(1 429 642)
Current Portion of Long-term Liabilities	(1 512 479)	-	-	-	(1 512 479)
Long-term Liabilities	(861 949)	(242 955)	-	(242 955)	(1 104 904)
Employee Benefit Liabilities	(13 618 424)	-	-	-	(13 618 424)
	<u>(24 381 742)</u>	<u>(1 491 404)</u>	<u>-</u>	<u>(1 491 404)</u>	<u>(25 873 146)</u>

Corrections made to Net Assets

The prior year figures of Net Assets have been restated to correct errors and correctly classify the nature of Liabilities of the Municipality. The errors corrected includes the cumulative effect of those affecting the Statement of Financial Performance.

The effect of the Correction of Error is as follows:

	2016		Movement		2016
	Published	Errors	Reclassification	Total	Restated
Opening Balance	11 656 109	-	-	-	11 656 109
Correction of Error	-	7 678	-	7 678	7 678
Surplus (Deficit) for the year	(593 796)	-73 983	-	-73 983	(667 779)
	<u>11 062 313</u>	<u>-66 306</u>	<u>-</u>	<u>-66 306</u>	<u>10 996 007</u>

Corrections made to Revenue

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

	2016		Movement		2016
	Published	Errors	Reclassification	Total	Restated
Government Grants and Subsidies Received	(46 519 539)	-	-	-	(46 519 539)
Public Contributions and Donations	-	-	-	-	-
Rental of Facilities and Equipment	(142 046)	-	-	-	(142 046)
Interest Earned - External Investments	(495 478)	-	-	-	(495 478)
Other Revenue	(3 506 227)	(426 493)	-	(426 493)	(3 932 720)
Other Gains and Losses	-	-	-	-	-
	<u>(50 663 290)</u>	<u>(426 493)</u>	<u>-</u>	<u>(426 493)</u>	<u>(51 089 783)</u>

Corrections made to Expenditure

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

2016	Movement	2016
------	----------	------

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

				2017 R	2016 R
	Published	Errors	Reclassification	Total	Restated
Employee Related Costs	28 315 405	273 729	-	273 729	28 589 134
Remuneration of Councillors	3 727 252	-	-	-	3 727 252
Depreciation and Amortisation	2 034 854	(71 382)	-	(71 382)	1 963 472
Impairment Losses	123 327	-	-	-	123 327
Repairs and Maintenance	241 067	-	-	-	241 067
Finance Costs	1 031 280	150 164	-	150 164	1 181 444
Contracted Services	239 300	-	-	-	239 300
Grants and Subsidies Paid	5 950 023	-	-	-	5 950 023
General Expenses	7 689 116	-	-	-	7 689 116
Loss on Disposal of Property, Plant and Equipment	717 870	-	-	-	717 870
	<u>50 069 494</u>	<u>352 510</u>	<u>-</u>	<u>352 510</u>	<u>50 422 004</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
32. CORRECTION OF ERROR (continued)		
32.1 Canon finance lease liability		
During the year the municipality settled the majority of its Canon finance lease liabilities. During this process it was discovered that two (2) of the contracts did not have a 36-month period, as previously indicated and used in the amortisation tables, but these contracts were however for a 60-month period. The amortisation tables were adjusted retrospectively and it was found that the adjustments required were material in nature and amount.		
The effect of the correction of error is as follows:		
Statement of Financial Position		
(Increase) decrease in Long-term Liabilities	(242 955)	(242 955)
(Increase) decrease in Accumulated Surplus	242 955	92 791
Statement of Financial Performance		
Increase (decrease) in Finance Cost	-	150 164
	<u>-</u>	<u>-</u>
32.2 Correction of depreciation on the leased assets		
It was discovered that the depreciation expense calculated in the 2016 financial year resulted in specific leased assets to have negative carrying amounts at yearend. This error has been corrected retrospectively.		
The effect of the correction of error is as follows:		
Statement of Financial Position		
Increase (decrease) in Property, Plant and Equipment	71 382	71 382
(Increase) decrease in Accumulated Surplus	(71 382)	-
Statement of Financial Performance		
Increase (decrease) in Depreciation and Amortisation	-	(71 382)
	<u>-</u>	<u>-</u>
32.3 Shared services not levied in accordance with the contracts		
During the current financial year it was discovered that the shared service charges were not made in accordance with the signed contracts. This error has been corrected retrospectively.		
The effect of the correction of error is as follows:		
Statement of Financial Position		
Increase (decrease) in Trade Receivables from Exchnage Transactions	1 486 327	1 486 327
(Increase) decrease in VAT Payable	(624 637)	(624 637)
(Increase) decrease in Accumulated Surplus	(861 690)	(435 197)
Statement of Financial Performance		
(Increase) decrease in Other Income	-	(426 493)
	<u>-</u>	<u>-</u>
32.4 Performance bonuses for the 2015 and 2016 financial years not provided for		
The performance bonuses payable to section 57 managers for the financial years ending 30 June 2015 and 30 June 2016 were not previously provided for. This error has been corrected retrospectively.		
The effect of the correction of error is as follows:		
Statement of Financial Position		
(Increase) decrease in Payables from Exchange Transactions	(623 812)	(623 812)
(Increase) decrease in Accumulated Surplus	623 812	350 084
Statement of Financial Performance		
Increase (decrease) in Employee Related Costs	-	273 729
	<u>-</u>	<u>-</u>

33. CHANGE IN ACCOUNTING ESTIMATES

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

33.01 Review of Residual Values and Estimated Useful Lives

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2016. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(157 144)	(214 510)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	(46 468)	-
Increase / (Decrease) in Depreciation and Amortisation	(203 611)	(214 510)
Depreciation and Amortisation as previously stated	2 066 164	2 177 981
Adjustment due to Change in Accounting Estimate	(203 611)	(214 510)
Depreciation and Amortisation as per Note 22	1 862 552	1 963 471

34. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	654 344	667 783
Adjustment for:		
Donations Received	(9 302)	-
Depreciation and Amortisation	1 862 552	1 963 471
Losses / (Gains) on Disposal of Property, Plant and Equipment	371 777	717 870
Fair Value Adjustment on Investment Property	(350 000)	-
Contribution to Post-retirement Health Care Benefits	(701 377)	41 997
Contribution to Impairment Provision	5 028	123 327
Bad Debts Written-off	-	-
Operating surplus before working capital changes	1 833 022	3 514 448
Decrease/(Increase) in Receivables from Exchange Transactions	(571 908)	(397 248)
Decrease/(Increase) in VAT Receivable	(1 253 746)	(590 607)
Decrease/(Increase) in Operating Lease Assets	(2 951)	(14 209)
Increase/(Decrease) in Payables from Exchange Transactions	2 599 708	(1 441 698)
Increase/(Decrease) in Conditional Grants and Receipts	800 510	655 472
Cash generated by / (utilised in) Operations	3 404 635	1 726 157

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
35. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
During the 2017 financial year, the municipality acquired equipment of R2 286 700 (2016: R0) under a finance lease. Any acquisition will be reflected in the cash flow statement over the term of the finance lease via lease repayments		
36. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	-	-
	<u>-</u>	<u>-</u>
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	100 000	100 000
	<u>-</u>	<u>-</u>
37. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 12)	4 142 937	2 617 383
Used to finance Property, Plant and Equipment - at cost	(4 142 937)	(2 617 383)
Sub-total	<u>-</u>	<u>-</u>
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	<u>-</u>	<u>-</u>
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates		

38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	2 220 039	2 220 039
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Unauthorised Expenditure awaiting authorisation	<u>2 220 039</u>	<u>2 220 039</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Votes exceeded:</i>	<i>Council to condone expenditure.</i>
None were identified	

38.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	811 122	811 122
Fruitless and Wasteful Expenditure current year	123 623	-
Correction of Prior Year Estimate	-	-
Condoned or written off by Council	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>934 745</u>	<u>811 122</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Fruitless and wasteful Expenditure identified was inspected and it can be categorised as follows:</i>	<i>Council to condone expenditure.</i>
The municipality incurred interest of R77 857 on the account of the Auditor-General. This is the result of the balance outstanding at yearend, which could not be paid by the municipality due to cash flow constraints.	
Legal fees amounting to R45 766 was paid during the year, which could have been avoided if care was taken during the execution of the municipality's responsibilities.	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

38.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	-	56 543 060
Irregular Expenditure current year	3 023 343	2 566 915
Irregular Expenditure current year (additionally identified)	1 715 306	-
Written off by Council	(3 023 343)	(59 109 975)
Transfer to Receivables for recovery (see Note 2)	-	-
Irregular Expenditure awaiting write-off	<u>1 715 306</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Irregular Expenditure identified was inspected and it can be categorised as follows:</i>	
Original tax Clearance certificates not provided: Instance occurred whereby the municipality acquired services in excess of R15 000 from providers for which it did not have an Original Tax Certificate = R17 700 (2016: R83 900).	No disciplinary steps have been taken as no individual or group of individuals have been identified to be the guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses. Council has condoned the expenditure.
Preferential procurement not followed: The municipality incurred expenditure in excess of R30 000 whereby the PPPFA stipulations and requirements were not followed = R151 809 (2016: 416 583).	
SCM process not followed: The Municipality incurred expenditure amounting to R4 562 940 (2016: R1 977 266) where the SCM process was not followed.	
Three quotations not obtained: Expenditure amounting to R0 (2016: R264 126) were incurred whereby the required number of quotations were not obtained.	
Other non-compliance: Expenditure amounting to R6 200 (2016: R5 750) could not be substantiated by the original documentation (mailed documentation used for payment) and late payments amounting to R39 576 occurred during the year.	

The municipality is currently reviewing their SCM policy to ensure it complies with the Supply Chain Management Regulations. Management has also embarked on a process to identify and disclose all irregular expenditure as a result of thereof to ensure that the full extent of all irregular expenditure is identified and investigated. All identified irregular expenditure will be reported, investigated and disclosed as required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) before the end of June 2018.

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (UNAUDITED)

39.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	470 000	439 500
Amount Paid - current year	(470 000)	(439 500)
Amount Paid - previous years	-	-
Balance Prepaid (included in Creditors)	<u>-</u>	<u>-</u>

39.2 Audit Fees

Opening Balance	1 247 868	3 906 114
Current year audit fee	1 971 903	1 224 878
Current year interest	77 857	-
Amount Paid - current year	(1 512 943)	(3 883 124)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>1 784 685</u>	<u>1 247 868</u>

39.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 3. All VAT returns have been submitted by the due date throughout the year.

39.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 570 849	5 292 651
Amount Paid - current year	(5 570 849)	(5 292 651)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

39.5 Pension and Medical Aid Deductions

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	5 477 368	6 125 348
Amount Paid - current year	(5 477 368)	(6 125 348)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

39.6 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
Unauthorised, Irregular or Fruitless and Wasteful Expenditure	4	32	4
General Financial Management Functions	8	62	1
Revenue Management	8	64	2
Expenditure Management	8	65	1 & 2
Disclosures on Intergovernmental and Other Allocations	12	123	
Disclosures concerning Councillors, Directors and Officials	12	124	
Other Compulsory Disclosures	12	125	
Audit Committees	14	166	

39.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

All deviations from the the Municipality's Supply Chain Management Policy were identified and disclosed as irregular expenditure in Note 38.3.

40. COMMITMENTS FOR EXPENDITURE

40.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Other

105 471 **28 500**

105 471	28 500
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- Approved but Not Yet Contracted for:-

Other

470 000 **-**

470 000	-
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Total Capital Commitments

575 471 **28 500**

This expenditure will be financed from:

Government Grants

470 000 28 500

Own Resources

105 471 -

575 471	28 500
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40.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 12.

40.3 Other Commitments

The Municipality has entered into a contract with Ducharme Consulting (Pty) Ltd during the 2017 financial year for the compilation of Annual Financial Statements and audit assistance, which will give rise to a total charge of R253,810.

The Municipality has received funding for the implementation of Integrated Municipal Information System (IMIS), Tirelo Bosha Support Programme, which is administered by Department of Public Service Administration. This will give rise to a R2 000 000 commitment.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
41. FINANCIAL INSTRUMENTS			
41.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Property Rental Debtors	Amortised cost	541	-
Shared Services	Amortised cost	2 184 284	1 548 342
Sundry Debtors	Amortised cost	36 322	105 925
Cash and Cash Equivalents			
Term Deposits	Amortised cost	-	43 152
Call Deposits	Amortised cost	1 855 745	409 391
Bank Balances	Amortised cost	1 330 209	97 665
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Property Rental Debtors	541	-
Receivables from Exchange Transactions	Shared Services	2 184 284	1 548 342
Receivables from Exchange Transactions	Sundry Debtors	36 322	105 925
Cash and Cash Equivalents	Term Deposits	-	43 152
Cash and Cash Equivalents	Call Deposits	1 855 745	409 391
Cash and Cash Equivalents	Bank Balances	1 330 209	97 665
Total Financial Assets		5 407 101	2 204 475
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	2 591 401	1 921 326
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	1 093 285	879 002
Payments received in Advance	Amortised cost	24 158	68 273
Advances from Road Department	Amortised cost	240 750	240 750
Other Creditors	Amortised cost	3 148 920	1 381 776
Accrued Leave	Amortised cost	1 696 298	1 501 996
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	1 032 941	658 832
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	2 591 401	1 921 326
Payables from Exchange Transactions	Trade Creditors	1 093 285	879 002
Payables from Exchange Transactions	Payments received in Advance	24 158	68 273
Payables from Exchange Transactions	Advances from Road Department	240 750	240 750
Payables from Exchange Transactions	Other Creditors	3 148 920	1 381 776
Payables from Exchange Transactions	Accrued Leave	1 696 298	1 501 996
Current Portion of Long-term Liabilities	Annuity Loans	1 032 941	658 832
Total Financial Liabilities		9 827 753	6 651 955

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017 **2016**
R **R**

41. FINANCIAL INSTRUMENTS (continued)

41.2 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2016.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 12, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 14 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	4 142 937	2 617 383
Cash and Cash Equivalents	3 185 954	550 208
Net Debt	<u>7 328 891</u>	<u>3 167 591</u>
Equity	<u>10 341 660</u>	<u>10 996 004</u>
Net debt to equity ratio	<u>70.87%</u>	<u>28.81%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as

41.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

41.4 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017	2016
R	R

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality’s receivables from customers and investment securities.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017 **2016**
R **R**

41. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity RISK is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 41.8 to the Annual Financial Statements.

41.5 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 41.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

41.5.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

41.5.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2017 would have decreased by R6 196 (2016: R5 358). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

41.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R **2016**
R

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

41. FINANCIAL INSTRUMENTS (continued)

Investments/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	2 221 147	3 221 831
Bank, Cash and Cash Equivalents	3 185 954	550 208
Maximum Credit and Interest Risk Exposure	5 407 101	3 772 039

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	%	%
Other Debtors:		
- Other not Classified	100%	100%
Total Credit Risk	100%	100%

Bank and Cash Balances

ABSA Bank Ltd	3 185 954	550 208
Total Bank and Cash Balances	3 185 954	550 208

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions

Group 1	2 221 147	3 221 831
Group 2	-	-
Group 3	-	-
Total Receivables from Exchange Transactions	2 221 147	3 221 831

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R

None of the financial assets that are fully performing have been renegotiated in the last year.

PIXLEY-KA-SEME DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built a Municipality's short, medium and long-term funding and liquidity management requirement banking facilities and reserve borrowing facilities, by continuously monitoring forecast and liabilities. Included in Note 36 is a listing of additional undrawn facilities that the Municipality has

Liquidity and Interest Risk Tables

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet its

The following tables detail the Municipality's remaining contractual maturity for its non-discounted cash flows of financial liabilities based on the earliest date on which the municipality flows.

Description	Note ref in AFS	Average effective Interest Rate	Total
	#	%	R
30 June 2017			
Non-interest Bearing			8 046 410
- Payables from Exchange transactions	10	0.00%	8 046 410
Fixed Interest Rate Instruments			1 871 202
- DBSA	12	10.00%	591 909
- Standard Bank	12	11.00%	1 279 293
Variable Interest Rate Instruments			5 593 096
- Canon	12	Various	478 915
- Nashua	12	Various	5 114 181
			15 510 709
30 June 2016			
Non-interest Bearing			5 446 702
- Payables from Exchange transactions	10	0.00%	5 446 702
Fixed Interest Rate Instruments			1 380 407
- DBSA	12	10.00%	1 380 407
Variable Interest Rate Instruments			1 650 782
- Canon	12	Various	1 650 782
			8 477 891

PIXLEY-KA-SEME DISTRICT NOTES TO THE FINANCIAL STATEMENTS FOR

The Municipality did not have access to financing facilities at the reporting date. The Municipality expects to maintain current debt to equity ratio and increased use of unsecured bank loan facilities.

41.8 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not have any equity investments.

MUNICIPALITY

THE YEAR ENDED 30 JUNE 2017

an appropriate liquidity risk management framework for the management of the risks. The Municipality manages liquidity risk by maintaining adequate reserves, monitoring actual cash flows and matching the maturity profiles of financial assets and liabilities as at its disposal to further reduce liquidity risk (cash).

expected operational expenses through the use of cash flow forecasts.

derivative financial liabilities. The tables have been drawn up based on the information that can be required to pay. The table includes both interest and principal cash

6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R		R
8 046 410	-	-	-	-
8 046 410	-	-	-	-
714 430	517 127	639 646	-	-
394 606	197 303	-	-	-
319 823	319 823	639 646	-	-
693 085	701 899	1 315 634	2 882 478	-
174 084	182 898	121 932	-	-
519 001	519 001	1 193 702	2 882 478	-
9 453 925	1 219 026	1 955 280	-	-
5 446 702	-	-	-	-
5 446 702	-	-	-	-
394 249	394 249	591 909	-	-
394 249	394 249	591 909	-	-
690 387	662 058	298 336	-	-
690 387	662 058	298 336	-	-
6 531 338	1 056 307	890 246	-	-

' MUNICIPALITY

THE YEAR ENDED 30 JUNE 2017

municipality expects to meet its other obligations from operating cash flows and equity ratio. This will be achieved through increased service tariff charges and the

municipality does not trade these investments.

PIXLEY-KA-SEME DISTRICT MU

NOTES TO THE FINANCIAL STATEMENTS FOR THE

42. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either annual or annual actuarial valuation, details of which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to individual participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not provided for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into separate participating employers.

The only obligation of the Municipality with respect to the retirement benefit plans is to make contributions. Where councillors / employees leave the plans prior to full vesting of the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3 287 629 represents contributions payable to these plans by the Municipality at rates specified in the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow valuation method.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was completed on 30 June 2013.

PIXLEY-KA-SEME DISTRICT MU

NOTES TO THE FINANCIAL STATEMENTS FOR THE

The statutory valuation performed as at 30 June 2013 revealed that the assets of the R31,425 (30 June 2012: R(7,980)) million, with funding levels of 100.2% and 105.1% (99.9% and 108.0%) for the Share Account and the Pensions Account respectively. The amount paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits.

43. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

43.1 Interest of Related Parties

No relationships have been identified.

43.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered a related party.

43.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Members of the Executive Committee, or any other public official with effect from 1 July 2004. No such loans existed at yearend.

43.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix 1: Remuneration of Management, to the Annual Financial Statements.

43.5 Purchases from Related Parties

The Municipality did not buy goods from any companies which can be considered to be related parties.

PIXLEY-KA-SEME DISTRICT MU

NOTES TO THE FINANCIAL STATEMENTS FOR THE

44. CONTINGENT LIABILITIES

No Contingent Liabilities existed at yearend.

45. CONTINGENT ASSETS

The Municipality was not engaged in any transaction or event during the year under Contingent Assets.

46. IN-KIND DONATIONS AND ASSISTANCE

The Municipality did received In-kind Donations in the form of Donated Assets. The financial Donation is as follows:

Increase / (Decrease) in Property Plant and Equipment
(Increase) / Decrease in Donations Received
Increase / (Decrease) in Depreciation Expense

No restrictions and / or conditions were attached to the donation.

47. PRIVATE PUBLIC PARTNERSHIPS

The Municipality was not a party to any Private Public Partnerships during the year under

48. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 .

49. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounts 31) and Prior Period Errors (Note 32).

50. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) During January 2017 the Council adopted the 2016/17 Budget. This three-year Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of Municipal residents reflected that the Budget was cash-backed over the three-year period.

PIXLEY-KA-SEME DISTRICT MU NOTES TO THE FINANCIAL STATEMENTS FOR THE

(ii) The Municipality's Budget is subjected to a very rigorous independent assess assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast Budget. The cash management processes is complemented by monthly and quarterly highlighting the actual cash position, including the associated risks and remedial actions.

(iv) As the Municipality has the power to levy fees, tariffs and charges, this will result in inflow of revenue to support the ongoing delivery of municipal services. Certain key financial aspects as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are monitored and the necessary corrective actions instituted.

(v) The unspent conditional grant balance is currently not cash-backed. Certain costs incurred during the current and previous financial years, which did not meet the requirements of the grants. These costs were reversed against the grant. The Municipality has begun to generate revenue to cover these costs.

(vi) Due to financial constraints, the municipality is currently unable to ensure short term debt is settled by the legislative deadline, as per section 65(2)(e) of the MFMA. The Municipality has prioritized payments and made the necessary arrangements with the respective third parties to ensure that the debt is settled.

(vii) As at 30 June 2017, the Municipality's total liabilities exceeded its total assets by R11 233 882. The Municipality's current cash reserves are not sufficient to cover its outstanding short term debt.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

2017
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2016
R

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make the specified
 contributions, the
 utions.

83 (2016: R3 174
 fied in the rules of

Flow method of

is performed as at

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R
fund amounted to		
% (30 June 2012:		
e contribution rate		
enefits accruing		

is considered as a

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Related Parties.

MUNICIPALITY
YEAR ENDED 30 JUNE 2017

2017
R

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R

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7 204	-
(9 302)	-
2 098	-
<hr/>	<hr/>
-	-
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or review.

June 2017.

ting Policies (Note

ear Medium Term
municipal services to

MUNICIPALITY

YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R
management process to		
provisions to manage costs supporting the quarterly reporting, to be instituted.		
result in an ongoing financial ratios, such closely monitored		
in expenses were reimbursements of certain to cover the shortfall		
debt is paid within prioritised outstanding ensure the debt is		
/ R10 991 517 (30) settle all overdue		
Financial Statements on		

**PIXLEY-KA-SEME DISTRICT
APPENDIX A
SCHEDULE OF EXTERNAL LOANS**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable
ANNUITY LOANS	R			
DBSA	4 925 202	10.00%	102 850	2018/03/31
Standard Bank	1 403 509	11.00%		2019/07/01
Total Annuity Loans	6 328 711			
CAPITAL LEASE LIABILITIES				
Canon	1 870 649	Various	Various	2016/11/01
Nashua	2 286 700	Various	Various	2021/09/01
Total Capital Lease Liabilities	4 157 349			
TOTAL EXTERNAL LOANS	10 486 060			

ANNUITY LOANS:

DBSA:

The annuity loan is repaid over a period of 10 (2016: 10) years, at an interest rate of 10.00% (2016: 10.00%).

Standard Bank:

The annuity loan is repaid over a period of 3 years, at an interest rate of 11.00% per annum. The annuity loan is repaid over a period of 3 years, at an interest rate of 11.00% per annum. The annuity loan is repaid over a period of 3 years, at an interest rate of 11.00% per annum.

CAPITAL LEASE LIABILITIES:

Canon:

Finance leases relate to property, plant and equipment with lease terms of 3 - 5 years (2016: 3 - 5 years). The effective interest rates are 1.48% and 8.31% (2016: 1.48% and 8.31%).

Nashua:

Finance leases relate to property, plant and equipment with lease terms of 5 years. The effective interest rate is 11.00% (2016: 11.00%).

Note: The rates of interest payable on the above structured loans and finance leases are based on the prime rate and the allowability of deductions by the lenders for income tax purposes in connection with the loans. In accordance with the provisions of the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to adjust the interest rates over their remaining lives, in order to absorb the increase or decrease in costs.

7 MUNICIPALITY

AS AT 30 JUNE 2017

Balance at 1 July 2016	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2017
R	R	R	R
1 262 494	-	(694 772)	567 722
-	1 403 509	(412 771)	990 738
1 262 494	1 403 509	(1 107 543)	1 558 460
1 111 934	-	(846 764)	265 170
-	2 286 700	32 605	2 319 305
1 111 934	2 286 700	(814 159)	2 584 475
2 374 428	3 690 209	(1 921 701)	4 142 936

00%) per annum. The annuity loan is not secured.

ty loan is not secured.

ears). The effective interest rate on Finance Leases is between 2.16% and 7.93%

st rate on Finance Leases is between 14.03% and 39.55%.

nd on certain underlying assumptions relating to the lenders' statutory costs
ese loans. In the event of changes to, or interpretation of, the Income Tax Act
right to increase or decrease the future rates of interest payable on the loans

PIXLEY-KA-SEME DIS
APPEN
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

Description	Cost / Revaluation			
	Opening Balance	Additions	Fair Value Adjustment	Disposals
	R	R	R	R
Land and Buildings				
Land	27 000	-	-	-
Buildings	15 071 960	-	-	-
	15 098 960	-	-	-
Leased Assets				
Office Equipment	1 894 010	2 286 700	-	(1 536 184)
	1 894 010	2 286 700	-	(1 536 184)
Other Assets				
<i>Emergency Equipment</i>				
Emergency Equipment	156 083	-	-	(15 994)
<i>Vehicles</i>				
Motor Vehicles	1 513 720	-	-	-
Trucks	863 938	-	-	(200 000)
Trailers	10 890	-	-	-
<i>Furniture And Fittings</i>				
Tables and desks	706 405	-	-	-
Furniture And Fittings	773 569	-	-	-
Chairs	421 209	-	-	-
<i>Office Equipment</i>				
Electronic Equipment	264 393	-	-	(805)
Air Conditioner	410 537	-	-	(11 899)
Computer Hardware	1 144 576	17 046	-	(3 222)
Other Office Equipment	174 800	-	-	-
<i>Plant And Equipment</i>				
Compressor/Generator	47 684	-	-	-
	6 487 804	17 046	-	(231 920)
Total	23 480 774	2 303 746	-	(1 768 104)

PIXLEY-KA-SEME DIS
APPENDIX A
ANALYSIS OF INVESTMENT PROPERTIES

Description	Cost / Revaluation			
	Opening Balance	Additions	Fair Value Adjustment	Disposals
Investment Properties Land and Buildings	R	R		R
	860 000	-	350 000	-
	860 000	-	350 000	-

ANALYSIS OF INTANGIBLE ASSETS

Description	Cost / Revaluation			
	Opening Balance	Additions		Disposals
Intangible Assets Computer Software	R	R		R
	397 692	-		-
	397 692	-		-
Total Asset Register				
	24 738 466	2 303 746		(1 768 104)

TRICT MUNICIPALITY

ADDITIONAL SCHEDULE B

FIXED ASSETS AND EQUIPMENT AS AT 30 JUNE 2017

Closing Balance	Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	
R	R	R	R	R	R
27 000	-	-	-	-	27 000
15 071 960	6 659 552	913 295	-	7 572 847	7 499 113
15 098 960	6 659 552	913 295	-	7 572 847	7 526 113
2 644 526	1 436 913	614 272	(1 259 562)	791 624	1 852 902
2 644 526	1 436 913	614 272	(1 259 562)	791 624	1 852 902
140 089	126 128	4 698	(13 365)	117 461	22 628
1 513 720	262 372	74 189	-	336 561	1 177 159
663 938	308 341	42 556	(109 074)	241 823	422 115
10 890	4 878	63	-	4 941	5 949
706 405	560 794	22 600	-	583 394	123 011
773 569	617 065	24 069	-	641 134	132 435
421 209	280 494	21 857	-	302 351	118 858
263 588	199 531	13 207	(504)	212 234	51 354
398 638	300 271	23 015	(11 186)	312 100	86 538
1 158 400	761 944	95 182	(2 637)	854 489	303 911
174 800	138 883	7 440	-	146 323	28 477
47 684	39 624	940	-	40 564	7 120
6 272 930	3 600 325	329 816	(136 766)	3 793 375	2 479 555
24 016 416	11 696 790	1 857 383	(1 396 328)	12 157 846	11 858 570

TRICT MUNICIPALITY
NDIX B
OPERTIES AS AT 30 JUNE 2017

Closing Balance	Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	
R	R	R	R	R	R
1 210 000	-	-	-	-	1 210 000
1 210 000	-	-	-	-	1 210 000

ASSETS AS AT 30 JUNE 2017

Closing Balance	Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	
R	R	R	R	R	R
397 692	383 218	5 169	-	388 387	9 305
397 692	383 218	5 169	-	388 387	9 305
25 624 108	12 080 008	1 862 552	(1 396 328)	12 546 233	13 077 875

PIXLEY-KA-SEME DISTRICT
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

Description	Cost / Revaluation			
	Opening Balance	Additions	Disposals	Closing Balance
	R	R	R	R
Budget And Treasury Office	24 738 466	2 303 746	(1 768 104)	25 274 108
Total	24 738 466	2 303 746	(1 768 104)	25 274 108

MUNICIPALITY

ID EQUIPMENT AS AT 30 JUNE 2017

Accumulated Depreciation / Impairment				Carrying Value
Opening Balance	Additions	Disposals	Closing Balance	
R	R	R	R	R
12 080 008	1 862 552	(1 396 328)	12 546 233	12 727 875
12 080 008	1 862 552	(1 396 328)	12 546 233	12 727 875

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR

2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)	Description	2017 Actual Income
R	R	R		R
142 046	(7 063 925)	(6 921 880)	Administration	103 056
20 803 916	(12 736 451)	8 067 465	Finance	21 933 548
-	(2 791 610)	(2 791 610)	Development and Infrastructure	3 466 915
-	(2 832 860)	(2 832 860)	Environmental Health	-
1 000 000	(2 508 441)	(1 508 441)	Housing	1 620 000
-	(3 683 293)	(3 683 293)	Internal Audit	2 028
2 506 421	(7 068 207)	(4 561 786)	Council Expenses	3 130 719
-	(1 634 956)	(1 634 956)	Municipal Manager	-
21 392 738	(6 108 504)	15 284 234	I D P	20 830 591
349 042	(2 557 016)	(2 207 974)	Protection Services	350 000
4 402 875	(943 991)	3 458 884	Shared Services	3 125 588
50 597 037	(49 929 254)	667 783	Total	54 562 444

ENDED 30 JUNE 2017

2017 Actual Expenditure	2017 Surplus/ (Deficit)
R	R
(7 469 292)	(7 366 236)
(14 134 194)	7 799 354
(4 042 501)	(575 586)
(3 515 148)	(3 515 148)
(2 007 238)	(387 238)
(4 099 885)	(4 097 857)
(7 608 211)	(4 477 492)
(1 865 696)	(1 865 696)
(6 263 604)	14 566 987
(2 427 142)	(2 077 142)
(475 190)	2 650 398
(53 908 100)	654 344

RECONCILIATION OF BUDGETED FINANCIAL PER

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
	R	R	R
REVENUE - STANDARD			
Governance and Administration:			
Executive and Council	3 039 000	-	3 039 000
Budget and Treasury Office	20 942 150	865 184	21 807 334
Corporate Services	-	50 000	50 000
		-	
Community and Public Safety:			
Public Safety	350 000	-	350 000
Housing	720 000	-	720 000
Health	-	-	-
Economic and Environmental Services:			
Planning and Development	21 812 588	5 099 400	26 911 988
Total Revenue - Standard	46 863 738	6 014 584	52 878 322
EXPENDITURE - STANDARD			
Governance and Administration:			
Executive and Council	9 616 300	239 847	9 856 147
Budget and Treasury Office	14 471 100	1 133 299	15 604 399
Corporate Services	11 612 838	107 179	11 720 017
Community and Public Safety:			
Public Safety	2 244 551	182 922	2 427 473
Housing	2 253 840	(104 340)	2 149 500
Health	3 091 800	423 349	3 515 149
Economic and Environmental Services:			
Planning and Development	7 983 800	2 395 107	10 378 907
Total Expenditure - Standard	51 274 229	4 377 363	55 651 592
Surplus/(Deficit) for the year	(4 410 491)	1 637 221	(2 773 270)

Y-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(1)

PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30

2017

Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
R	R	R	R	R	R
-	3 039 000	3 233 775	-	194 775	6.41%
-	21 807 334	21 933 548	-	126 214	0.58%
-	50 000	3 127 615	-	3 077 615	6155.23%
-	350 000	350 000	-	-	-
-	720 000	1 620 000	-	900 000	125.00%
-	-	-	-	-	-
-	26 911 988	24 297 506	-	(2 614 482)	(9.71)%
-	52 878 322	54 562 444	-	1 684 122	
-	9 856 147	16 943 199	-	7 087 052	71.90%
-	15 604 399	14 134 194	-	(1 470 205)	(9.42)%
-	11 720 017	4 575 075	-	(7 144 942)	(60.96)%
-	2 427 473	2 427 142	-	(331)	(0.01)%
-	2 149 500	2 007 238	-	(142 262)	(6.62)%
-	3 515 149	3 515 148	-	(1)	(0.00)%
-	10 378 907	10 306 105	-	(72 802)	(0.70)%
-	55 651 592	53 908 100	-	(1 743 492)	
-	(2 773 270)	654 344	-	3 427 614	

) JUNE 2017

	2016	
Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
R	R	R
6.41%	-	2 648 467
4.73%	-	20 803 916
0.00%	-	4 402 875
0.00%	-	349 042
0.00%	-	1 000 000
-	-	-
11.39%	-	21 392 738
	-	50 597 037
76.19%	-	15 767 089
(2.33)%	-	12 736 451
(60.60)%	-	4 627 284
8.13%	-	2 557 016
(10.94)%	-	2 508 441
13.69%	-	2 832 860
29.09%	-	8 900 114
	-	49 929 254
	-	667 783

RECONCILIATION OF BUDGETED FINANCIAL

Description	Original	Budget	Final
	Total Budget	Adjustments	Adjustments Budget
	R	R	R
REVENUE BY VOTE			
Vote 1 - Mayor & Council	3 039 000	-	3 039 000
Vote 2 - Municipal Manager	-	-	-
Vote 3 - Budget & Treasury Office	20 942 150	865 184	21 807 334
Vote 4 - Human Resources	-	50 000	50 000
Vote 5 - Internal Audit			-
Vote 6 - Shared Services			-
Vote 7 - Development & Infrastructure	3 125 588	3 300 000	6 425 588
Vote 8 - IDP	18 687 000	1 799 400	20 486 400
Vote 9 - Health	-	-	-
Vote 10 - Housing	720 000	-	720 000
Vote 11 - Public Safety	350 000	-	350 000
Total Revenue by Vote	46 863 738	6 014 584	52 878 322
EXPENDITURE BY VOTE			
Vote 1 - Mayor & Council	7 979 600	(58 639)	7 920 961
Vote 2 - Municipal Manager	1 636 700	298 486	1 935 186
Vote 3 - Budget & Treasury Office	14 471 100	502 299	14 973 399
Vote 4 - Human Resources	7 670 438	46 629	7 717 067
Vote 5 - Internal Audit	3 942 400	157 550	4 099 950
Vote 6 - Shared Services	-	534 000	534 000
Vote 7 - Development & Infrastructure	3 710 800	404 057	4 114 857
Vote 8 - IDP	4 273 000	1 991 050	6 264 050
Vote 9 - Health	3 091 800	423 348	3 515 148
Vote 10 - Housing	2 253 840	(104 340)	2 149 500
Vote 11 - Public Safety	2 244 551	182 922	2 427 473
Total Expenditure by Vote	51 274 229	4 377 362	55 651 591
Surplus/(Deficit) for the year	(4 410 491)	1 637 222	(2 773 269)

-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(2)

. PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE

2017

Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
R	R	R	R	R	R
-	3 039 000	3 130 719	-	91 719	3.02%
-	-	-	-	-	-
-	21 807 334	21 933 548	-	126 214	0.58%
-	50 000	103 056	-	53 056	106.11%
-	-	2 028	-	2 028	100.00%
-	-	3 125 588	-	3 125 588	-
-	6 425 588	3 466 915	-	(2 958 673)	(46.05)%
-	20 486 400	20 830 591	-	344 191	1.68%
-	-	-	-	-	-
-	720 000	1 620 000	-	900 000	125.00%
-	350 000	350 000	-	-	-
-	52 878 322	54 562 444	-	1 684 122	
-	7 920 961	7 608 211	-	(312 750)	(3.95)%
-	1 935 186	1 865 696	-	(69 490)	(3.59)%
-	14 973 399	14 134 194	-	(839 205)	(5.60)%
-	7 717 067	7 469 292	-	(247 775)	(3.21)%
-	4 099 950	4 099 885	-	(65)	(0.00)%
-	534 000	475 190	-	(58 810)	(11.01)%
-	4 114 857	4 042 501	-	(72 356)	(1.76)%
-	6 264 050	6 263 604	-	(446)	(0.01)%
-	3 515 148	3 515 148	-	(0)	(0.00)%
-	2 149 500	2 007 238	-	(142 262)	(6.62)%
-	2 427 473	2 427 142	-	(331)	(0.01)%
-	55 651 591	53 908 100	-	(1 743 491)	
-	(2 773 269)	654 344	-	3 427 613	

2017

	2016	
Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
R	R	R
3.02%	-	349 042
100.00%	-	142 046
4.73%	-	20 803 916
100.00%	-	2 506 421
100.00%	-	21 392 738
-	-	-
10.92%	-	-
11.47%	-	-
-	-	-
-	-	1 000 000
-	-	4 402 875
	-	50 597 037
(4.65)%	-	2 557 016
13.99%	-	7 063 925
(2.33)%	-	12 736 451
(2.62)%	-	7 068 207
3.99%	-	6 108 504
(100.00)%	-	1 634 956
8.94%	-	3 683 293
46.59%	-	2 791 610
13.69%	-	2 832 860
(10.94)%	-	2 508 441
8.13%	-	943 991
	-	49 929 254
	-	667 783

RECONCILIATION OF BUDGETED |

Description	Original	Budget	Final
	Total Budget	Adjustments	Adjustments Budget
	R	R	R
Revenue by Source			
Government Grants and Subsidies Received	42 117 000	5 099 400	47 216 400
Public Contributions and Donations	-	-	-
Rental of Facilities and Equipment	-	50 000	50 000
Interest Earned - External Investments	207 500	104 500	312 000
Other Revenue	4 539 238	760 684	5 299 922
Other Gains and Losses	-	-	-
Total Revenue (excluding Capital Transfers & Contributions)	46 863 738	6 014 584	52 878 322
Expenditure			
Employee Related Costs	28 259 000	1 075 853	29 334 853
Remuneration of Councillors	3 892 700	56 476	3 949 176
Depreciation and Amortisation	2 000 000	-	2 000 000
Impairment Losses	-	-	-
Repairs and Maintenance	155 000	(22 000)	133 000
Finance Costs	100 000	20 000	120 000
Contracted Services	1 400 000	40 000	1 440 000
Grants and Subsidies Paid	-	211 000	211 000
General Expenses	15 468 000	2 995 562	18 463 562
Loss on Disposal of Property, Plant and Equipment	-	-	-
Total Expenditure	51 274 700	4 376 891	55 651 591
Surplus/(Deficit) for the Year	(4 410 962)	1 637 693	(2 773 269)

·KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(3)

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

2017					
Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
R	R	R	R	R	R
-	47 216 400	49 515 453	-	2 299 053	4.87%
-	-	9 302	-	9 302	-
-	50 000	103 056	-	53 056	106.11%
-	312 000	619 647	-	307 647	98.60%
-	5 299 922	3 964 985	-	(1 334 937)	(25.19)%
-	-	350 000	-	350 000	100.00%
-	52 878 322	54 562 443	-	1 684 121	
-	29 334 853	29 282 022	-	(52 831)	(0.18)%
-	3 949 176	3 884 250	-	(64 926)	(1.64)%
-	2 000 000	1 862 552	-	(137 448)	(6.87)%
-	-	5 028	-	5 028	100.00%
-	133 000	225 652	-	92 652	69.66%
-	120 000	2 450 520	-	2 330 520	1942.10%
-	1 440 000	362 216	-	(1 077 784)	(74.85)%
-	211 000	6 013 922	-	5 802 922	100.00%
-	18 463 562	9 450 160	-	(9 013 402)	(48.82)%
-	-	371 777	-	371 777	0.00%
-	55 651 591	53 908 099	-	(1 743 492)	
-	(2 773 269)	654 344	-	3 427 613	

	2016	
Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
R	R	R
17.57%	-	46 519 541
-	-	-
100.00%	-	142 046
198.63%	-	495 478
(12.65)%	-	3 932 720
100.00%	-	-
	-	51 089 785
3.62%	-	28 589 133
(0.22)%	-	3 727 252
(6.87)%	-	1 963 471
100.00%	-	123 327
45.58%	-	241 067
2350.52%	-	1 181 444
(74.13)%	-	239 300
100.00%	-	5 950 022
(38.91)%	-	7 689 116
0.00%	-	717 870
	-	50 422 002
	-	667 783

RECONCILIATION OF BUDGETED

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
	R	R	R
CAPITAL EXPENDITURE - VOTE			
Multi-year Expenditure			
Vote 1 - Emergency and Disaster Management	-	-	-
Vote 2 - Support and Social Services	-	-	-
Vote 3 - Budget and Treasury	-	-	-
Vote 4 - Council Expenses	-	-	-
Vote 5 - IDP	-	-	-
Vote 6 - Municipal Manager	-	-	-
Vote 7 - Internal Audit	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-
Vote 9 - Environmental Health	-	-	-
Vote 10 - Housing	-	-	-
Vote 11 - Shared Service	-	-	-
Total Capital Expenditure - Multi-year	-	-	-
Single-year Expenditure			
Vote 1 - Emergency and Disaster Management	-	-	-
Vote 2 - Support and Social Services	-	-	-
Vote 3 - Budget and Treasury	-	11 000	11 000
Vote 4 - Council Expenses	-	-	-
Vote 5 - IDP	-	-	-
Vote 6 - Municipal Manager	-	-	-
Vote 7 - Internal Audit	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-
Vote 9 - Environmental Health	-	-	-
Vote 10 - Housing	-	-	-
Vote 11 - Shared Service	-	-	-
Total Capital Expenditure - Single-year	-	11 000	11 000
Total Capital Expenditure - Vote	-	11 000	11 000
CAPITAL EXPENDITURE - STANDARD			
Governance and Administration:			
Executive and Council	-	-	-
Budget and Treasury Office	-	11 000	11 000
Corporate Services	-	-	-
Community and Public Safety:			
Public Safety	-	-	-
Housing	-	-	-
Health	-	-	-
Economic and Environmental Services:			
Planning and Development	-	-	-
Environmental Protection	-	-	-
Total Capital Expenditure - Standard	-	11 000	11 000
FUNDED BY:			
National Government	-	-	-

Provincial Government	-	-	-
Transfers Recognised - Capital	-	-	-
Borrowing	-	-	-
Internally Generated Funds	-	11 000	11 000
Total Capital Funding	-	11 000	11 000

APPENDIX E(4)
CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2017

[illegible]

-	-	-	-	-	0.00%
-	-	-	-	-	
-	-	-	-	-	0.00%
-	11 000	7 744	-	(3 256)	(29.60)%
-	11 000	7 744	-	(3 256)	

[illegible]

0.00%	-	-
	-	-
0.00%	-	-
100.00%	-	1 105 241
	-	1 105 241

RECONCILIATION OF BUDGETED CASH FLO

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget
	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Government - Operating	41 807 000	4 520 000	46 327 000
Government - Capital	-	-	-
Interest	205 000	200 000	405 000
Other Receipts	4 722 825	1 292 125	6 014 950
Payments			
Suppliers and Employees	(31 954 146)	1 389 795	(30 564 351)
Finance Charges	(160 000)	(20 000)	(180 000)
Transfers and Grants	(15 943 640)	(4 901 860)	(20 845 500)
NET CASH FROM / (USED) OPERATING ACTIVITIES	(1 322 961)	2 480 060	1 157 099
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on Disposal of PPE	-	-	-
Payments			
Capital Assets	-	(11 000)	(11 000)
NET CASH FROM / (USED) INVESTING ACTIVITIES	-	(11 000)	(11 000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
New Loans raised	-	-	-
Payments			
Loans repaid	(629 000)	-	(629 000)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(629 000)	-	(629 000)
NET INCREASE / (DECREASE) IN CASH HELD	(1 951 961)	2 469 060	517 099
Cash / Cash Equivalents at the Year begin:	524 802	-	524 802
Cash / Cash Equivalents at the Year end:	(1 427 159)	2 469 060	1 041 901

RICT MUNICIPALITY

X E(5)

WS FOR THE YEAR ENDED 30 JUNE 2017

2017					2016
Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
R	R	R	R	R	R
46 327 000	50 315 963	3 988 963	8.61%	20.35%	47 175 011
-	-	-	-	-	-
405 000	619 647	214 647	53.00%	202.27%	495 478
6 014 950	2 195 320	(3 819 630)	(63.50)%	(100.00)%	3 123 530
(30 564 351)	(47 275 776)	(16 711 425)	54.68%	47.95%	(47 886 417)
(180 000)	(2 450 520)	(2 270 520)	1261.40%	1431.58%	(1 181 444)
(20 845 500)	-	20 845 500	(100.00)%	(100.00)%	-
1 157 099	3 404 634	2 247 535			1 726 158
-	-	-	(100.00)%	(100.00)%	417 300
(11 000)	(2 294 444)	(2 283 444)	20758.58%	100.00%	(1 105 241)
(11 000)	(2 294 444)	(2 283 444)			(687 941)
-	2 286 700	2 286 700	-	-	-
(629 000)	(761 146)	(132 146)	21.01%	21.01%	(1 012 812)
(629 000)	1 525 554	2 154 554			(1 012 812)
517 099	2 635 744	2 118 645			25 405
524 802	550 208	25 406	4.84%	4.84%	524 802
1 041 901	3 185 954	2 144 053	205.78%	(323.24)%	550 208

PIXLEY-KA-SEME DISTRICT

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses
			Total	Total
Equitable Share	National Treasury	-	35 824 000	(35 824 000)
Housing Accreditation	COGSTHA	-	1 620 000	(1 620 000)
Health Subsidy	Provincial	7 252	250 000	(91 719)
EPWP	National Treasury	3 772	1 000 000	(576 513)
Financial Management (FMG)	National Treasury	-	1 250 000	(1 250 000)
Shared Services	Provincial	-	3 464 000	(3 464 000)
Department of Roads	Provincial	-	857 965	(857 965)
Project Hopetown	Provincial	-	1 492 000	(1 026 798)
DPSA Grant	Provincial	-	235 000	(186 920)
NEAR	Provincial	1 274 130	350 000	(350 000)
Electrification Programme	Provincial	898	-	-
Cleaning Project	Provincial	262 671	-	(262 671)
Renosterberg Valuations	Provincial	-	1 000 000	(1 000 000)
RAMS Grant	Provincial	31 867	2 973 000	(3 004 867)
Total Grants and Subsidies Received		1 580 590	50 315 965	(49 515 454)

MUNICIPALITY

OF SECTION 123 OF MFMA, 56 OF 2003

Net Grant	Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*)	Reason for Non-compliance
Total	Total		Yes / No	
-	-	N/a	Yes	N/a
-	-	N/a	Yes	N/a
165 533	-	N/a	Yes	N/a
427 259	-	N/a	Yes	N/a
-	-	N/a	Yes	N/a
-	-	N/a	Yes	N/a
-	-	N/a	Yes	N/a
465 202	-	N/a	Yes	N/a
48 080	-	N/a	Yes	N/a
1 274 130	-	N/a	Yes	N/a
898	-	N/a	Yes	N/a
-	-	N/a	Yes	N/a
-	-	N/a	Yes	N/a
-	-	N/a	Yes	N/a
2 381 102	-			

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2017

Incumbent	Basic Salaries	Bonuses	Allowances
	R	R	R
Mayor			
MT Kibi	721 782	-	11 161
JZ Lolwana (previous)	81 507	-	1 290
Speaker			
NL Hermans	518 383	-	9 000
MT Kibi (previous)	-	-	-
Executive Committee			
UR Itumeleng	555 713	-	9 032
TA Sintu	555 713	-	9 032
GL Nkumbi	532 709	-	8 000
Councillors			
H Marais	213 052	-	-
J Grobbelaar	237 620	-	-
AM Metebus	213 052	-	-
SL Billie	13 013	-	-
J Hoffman	13 864	-	-
JEJ Hoorne	13 013	-	-
ME Bitterbos	14 577	-	-
JH George	14 577	-	-
LC van Niekerk	14 577	-	-
JT Yawa	13 013	-	-
S Swartling	13 013	-	-
JH Vorster	13 013	-	-
SE Humphries	13 013	-	-
N Batties	13 013	-	-
H de Villiers (previous)	24 568	-	-
NS Thomas (previous)	1 564	-	-
WJ du Plessis (previous)	1 564	-	-
A Fritz (previous)	1 564	-	-
DP Jason (previous)	1 564	-	-
CC Jantjies (previous)	1 564	-	-
PN Signeur (previous)	24 568	-	-
FM van Wyk (previous)	1 564	-	-
Total for Councillors	3 836 734	-	47 516
Municipal Manager			
RE Pieterse	986 700	268 752	97 217
Chief Financial Officer			
BF James	880 500	241 249	95 750
Manager: Infrastructure			
HP Greeff	708 000	190 777	183 283
Manager: Chief Corporate Services			
TA Loko	651 600	131 777	181 395

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

Manager: Office of the Executive Mayor MK Mfazwe	408 844	33 535	88 200
Manager: Chief Audit Executive R Sors	519 268	38 662	100 492
Communication Manager BA Bosch	397 698	33 535	87 000
Total for Senior Managers	4 552 610	938 287	833 337
Total for Management	8 389 344	938 287	880 853

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Basic Salaries	Bonuses	Allowances
	R	R	R
Mayor			
JZ Lolwana	758 012	-	12 000
Speaker			
MT Kibi	606 410	-	10 800
Executive Committee			
UR Itumeleng	568 510	-	9 600
TA Sintu	568 510	-	9 600
KJ Arens	6 860	-	-
Councillors			
GL Nkumbi	354 571	-	-
H de Villiers	57 120	-	-
NS Thomas	14 542	-	-
ME Bitterbos	14 542	-	-
WJ du Plessis	14 542	-	-
A Fritz	14 542	-	-
JH George	14 542	-	-
J Grobbelaar	228 481	-	-
DP Jason	14 542	-	-
P Louw	13 330	-	-
EL Schultz	171 361	-	-
CC Jantjies	7 271	-	-
PN Signeur	228 481	-	-
LC van Niekerk	14 542	-	-
FM van Wyk	14 542	-	-
Total for Councillors	3 685 252	-	42 000
Municipal Manager			
RE Pieterse	922 260	164 839	103 290
Chief Financial Officer			
BF James	832 200	148 536	89 068
Manager: Infrastructure			
HP Greeff	634 297	99 849	225 621
Manager: Planner PIMS			
TS Diokpala	136 423	9 733	16 760
Manager: Chief Corporate Services			
TA Loko	808 308	62 159	101 723
Manager: Office of the Executive Mayor			
MK Mfazwe	376 672	30 894	88 200
Communication Manager			
WAE Renene	101 964	49 961	22 050
BA Bosch	185 364	12 873	43 500

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

Total for Senior Managers			
	3 997 488	578 844	690 213
Total for Management			
	7 682 740	578 844	732 213

Y

NT

Any Other Benefits	Total Remuneration
R	R
-	732 943
-	82 797
-	527 383
-	-
-	564 745
-	564 745
-	540 709
-	213 052
-	237 620
-	213 052
-	13 013
-	13 864
-	13 013
-	14 577
-	14 577
-	14 577
-	13 013
-	13 013
-	13 013
-	13 013
-	13 013
-	24 568
-	1 564
-	1 564
-	1 564
-	1 564
-	1 564
-	24 568
-	1 564
-	3 884 250
179 483	1 532 152
160 367	1 377 866
1 877	1 083 937
119 165	1 083 937

Y

NT

117 068	647 647
112 077	770 499
91 225	609 458
781 262	7 105 496
781 262	10 989 746

Y

NT

Any Other Benefits	Total Remuneration
R	R
-	770 012
-	617 210
-	578 110
-	578 110
-	6 860
-	354 571
-	57 120
-	14 542
-	14 542
-	14 542
-	14 542
-	14 542
-	228 481
-	14 542
-	13 330
-	171 361
-	7 271
-	228 481
-	14 542
-	14 542
-	3 727 252
167 878	1 358 268
151 668	1 221 472
1 872	961 639
32 004	194 920
147 367	1 119 557
106 090	601 856
17 151	191 126
42 434	284 171

Y

NT

666 464	5 933 008
666 464	9 660 260

PIXLEY-KA-SEME DISTRICT M
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEA

Ratio		Norm / Range	Input Description
1. FINANCIAL POSITION			
A. Asset Management / Utilisation			
1.	Capital Expenditure to Total Expenditure	10% - 20%	<div>Total Operating Expenditure</div> <div>Taxation Expense</div> <div>Total Capital Expenditure</div>
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	<div>PPE, Investment Property & Intangible Impairment</div> <div>PPE at Carrying Value</div> <div>IP at Carrying Value</div> <div>Intangible Assets at Carrying Value</div>
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	<div>Total Repairs and Maintenance Expenditure</div> <div>PPE at Carrying Value</div> <div>Investment Property at Carrying Value</div>
B. Debtors Management			
1.	Collection Rate	95%	<div>Gross Debtors Closing Balance</div> <div>Gross Debtors Opening Balance</div> <div>Bad Debts Written-off</div> <div>Billed Revenue</div>
2.	Bad Debts Written-off as % of Provision for Bad Debt	100%	<div>Consumer Debtors Bad Debts Written-off</div> <div>Consumer Debtors Current Bad Debt Provision</div>
3.	Net Debtors Days	30 Days	<div>Gross Debtors</div> <div>Bad Debts Provision</div> <div>Billed Revenue</div>
C. Liquidity Management			
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months	<div>Cash and Cash Equivalents</div> <div>Unspent Conditional Grants</div> <div>Overdraft</div> <div>Short-term Investments</div> <div>Total Annual Operational Expenditure</div>
2.	Current Ratio	1.5 - 2:1	<div>Current Assets</div> <div>Current Liabilities</div>

PIXLEY-KA-SEME DISTRICT M
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEA

Ratio		Norm / Range	Input Description
C. Liability Management			
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	<div>Interest Paid</div> <div>Redemption</div> <div>Total Operating Expenditure</div> <div>Taxation Expense</div>
2.	Debt (Total Borrowings) / Revenue	45%	<div>Total Debt</div> <div>Total Operating Revenue</div> <div>Operational Conditional Grants</div>
C. Sustainability			
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	<div>Cash and Cash Equivalents</div> <div>Bank Overdraft</div> <div>Short Term Investment</div> <div>Long Term Investment</div> <div>Unspent Grants</div> <div>Net Assets</div> <div>Share Premium</div> <div>Share Capital</div> <div>Revaluation Reserve</div> <div>Fair Value Adjustment Reserve</div> <div>Accumulated Surplus</div>
2. FINANCIAL PERFORMANCE			
A. Efficiency			
1.	Net Operating Surplus Margin	= or > 0%	<div>Total Operating Revenue</div> <div>Depreciation - Revalued Portion</div> <div>Total Operating Expenditure</div> <div>Taxation Expense</div>
2.	Net Surplus / Deficit Electricity	0% - 15%	<div>Total Electricity Revenue</div> <div>Total Electricity Expenditure</div>
3.	Net Surplus / Deficit Water	= or > 0%	<div>Total Water Revenue</div> <div>Total Water Expenditure</div>

PIXLEY-KA-SEME DISTRICT M
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEA

Ratio		Norm / Range	Input Description
4.	Net Surplus / Deficit Refuse	= or > 0%	Total Refuse Revenue Total Refuse Expenditure
5.	Net Surplus / Deficit Sanitation and Waste Water	= or > 0%	Total Sanitation and Waste Water Revenue Total Sanitation and Waste Water Expenditure
B. Distribution Losses			
1.	Electricity Distribution Losses (Percentage)	7% - 10%	Number of Units Purchased and/or Generated Number of Units Sold
2.	Water Distribution Losses (Percentage)	15% - 30%	Number of Kilolitres Purchased and/or Purified Number of Kilolitres Sold
C. Revenue Management			
1.	Growth in Number of Active Consumer Accounts	None	Number of Active Debtors Accounts (Previous) Number of Active Debtors Accounts (Current)
2.	Revenue Growth (%)	= CPI	CPI Total Revenue (Previous) Total Revenue (Current)
3.	Revenue Growth (%) - Excluding Capital Grants	= CPI	CPI Total Revenue, excluding Capital Grants (Previous) Total Revenue, excluding Capital Grants (Current)
D. Expenditure Management			
1.	Creditors Payment Period (Trade Creditors)	30 Days	Trade Creditors Contracted Services Repairs and Maintenance General Expenses Bulk Purchases Capital Credit Purchases





**PIXLEY-KA-SEME DISTRICT M
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEA**

Ratio		Norm / Range	Input Description
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure Total Operating Expenditure Taxation Expense
3.	Remuneration as % of Total Operating Expenditure	25% - 40%	Employee / Personnel Related Cost Councillors Remuneration Total Operating Expenditure Taxation Expense
4.	Contracted Services % of Total Operating Expenditure	2% - 5%	Contracted Services Total Operating Expenditure Taxation Expense
E. Grant Dependency			
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None	Internally Generated Funds Borrowings Total Capital Expenditure
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None	Internally Generated Funds Total Capital Expenditure
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None	Total Revenue Government Grant and Subsidies Public Contributions and Donations Capital Grants

**PIXLEY-KA-SEME DISTRICT M
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEA**

Ratio		Norm / Range	Input Description
3. BUDGET IMPLEMENTATION			
A. Efficiency			
1.	Capital Expenditure Budget Implementation Indicator	95% - 100%	<div>Actual Capital Expenditure</div> <div>Budgeted Capital Expenditure</div>
2.	Operating Expenditure Budget Implementation Indicator	95% - 100%	<div>Actual Operating Expenditure</div> <div>Budgeted Operating Expenditure</div>
3.	Operating Revenue Budget Implementation Indicator	95% - 100%	<div>Actual Operating Revenue</div> <div>Budgeted Operating Revenue</div>
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%	<div>Actual Service Charges and Property Rates Revenue</div> <div>Budgeted Service Charges and Property Rates Revenue</div>

Interpretation of Results:

	The green colour indicates that the result is within the norm and is acceptable.
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve performance.
	Data should be captured in the blue coloured cell to calculate a ratio.
	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and reported.

UNICIPALITY

AR ENDED 30 JUNE 2017

Data Inputs and Results		Management Comments (#)
2017	2016	
4.08%	2.14%	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets.
53 908 099	50 422 002	
-	-	
2 294 444	1 105 241	
0.00%	0.00%	
-	-	
11 858 570	11 783 984	
1 210 000	860 000	
9 306	14 475	
1.73%	1.91%	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets and the repair / maintenance thereof.
225 652	241 067	
11 858 570	11 783 984	
1 210 000	860 000	
122.96%	68.70%	In the previous year the Municipality provided for a significant portion of its debtors. This did not re-occur in the current year.
2 184 825	2 939 467	
2 939 467	1 807 911	
-	-	
3 287 464	3 614 921	
0.00%	0.00%	
-	-	
-	123 327	
243 Days	284 Days	In the previous year the Municipality provided for a significant portion of its debtors. This did not re-occur in the current year.
2 184 825	2 939 467	
-	123 327	
3 287 464	3 614 921	
0 Months	0 Months	The Municipality ensures that all debt is paid within the 30 day requirement as per the MFMA.
3 185 954	550 208	
2 381 101	1 580 591	
-	-	
-	-	
53 908 099	50 422 002	
0.41	0.20	The unfavourable ratio is due to the current portion of the Retirement Benefit Liabilities.
5 236 602	2 208 821	
12 874 683	11 149 817	

UNICIPALITY

AR ENDED 30 JUNE 2017

Data Inputs and Results		Management Comments (#)
2017	2016	
2.67%	0.33%	
2 450 520	1 181 444	
(1 012 812)	(1 012 812)	
53 908 099	50 422 002	
-	-	
68.51%	35.82%	The unfavourbale ratio is due to additions, which was financed through a finance lease.
4 142 937	2 617 383	
54 562 443	51 089 785	
48 515 454	43 782 212	
100.00%	100.00%	
3 185 954	550 208	
-	-	
-	-	
-	-	
2 381 101	1 580 591	
(10 341 660)	(10 996 004)	
-	-	
-	-	
-	-	
-	-	
(10 341 660)	(10 996 004)	
1.20%	1.31%	
54 562 443	51 089 785	
-	-	
53 908 099	50 422 002	
-	-	
0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
-	-	
-	-	
0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
-	-	
-	-	

UNICIPALITY

AR ENDED 30 JUNE 2017

Data Inputs and Results		Management Comments (#)
2017	2016	
0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
-	-	
-	-	
0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
-	-	
-	-	
0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
-	-	
-	-	
0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
-	-	
-	-	
0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
-	-	
-	-	
0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
-	-	
-	-	
6.80%	30.12%	
6.60%	5.50%	
51 089 785	39 262 324	
54 562 443	51 089 785	
6.80%	30.12%	
6.60%	5.50%	
51 089 785	39 262 324	
54 562 443	51 089 785	
40 Days	39 Days	The Municipality has an arrangement with the Auditor-General by which it is repaying its outstanding debt.
1 093 285	879 002	
362 216	239 300	
225 652	241 067	
9 450 160	7 689 116	
-	-	
-	-	

UNICIPALITY

AR ENDED 30 JUNE 2017

Data Inputs and Results		Management Comments (#)
2017	2016	
5.84%	5.09%	
3 146 966	2 566 915	
53 908 099	50 422 002	
-	-	
61.52%	64.09%	
29 282 022	28 589 133	As the Municipality is a District Municipality, the Employee Related Costs represent the majority of its Operating Expenditure due to the nature of service provided.
3 884 250	3 727 252	
53 908 099	50 422 002	
-	-	
0.67%	0.47%	
362 216	239 300	
53 908 099	50 422 002	
-	-	
100.00%	100.00%	
(290 033)	(249 648)	
2 584 477	1 354 889	
2 294 444	1 105 241	
-12.64%	-22.59%	
(290 033)	(249 648)	Due to the material decrease in the Municipality's cash reserves, it had to finance its capital needs through the use of finance leases.
2 294 444	1 105 241	
9.23%	8.95%	
54 562 443	51 089 785	
49 515 453	46 519 541	
9 302	-	
-	-	

UNICIPALITY

AR ENDED 30 JUNE 2017

Data Inputs and Results		Management Comments (#)
2017	2016	
20858.58%	10047.65%	In the current year, R2 286 700 of the total additions were financed through a finance lease, which resulted in the unfavourable ratio. Only R 7 744 was actual spend by the Municipality.
2 294 444	1 105 241	
11 000	11 000	
96.87%	92.50%	Due to cash flow constraints in the previous financial year, the Municipality implemented cost-cutting measures. The situation has improved significantly in the current year, allowing the Municipality to spend its full operating budget.
53 908 099	50 422 002	
55 651 591	54 512 000	
103.18%	96.71%	More revenue has been generated than budgeted for, mainly due to grants received.
54 562 443	51 089 785	
52 878 322	52 827 000	
100.00%	100.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
0	0	
0	0	

improve the results.

referenced.